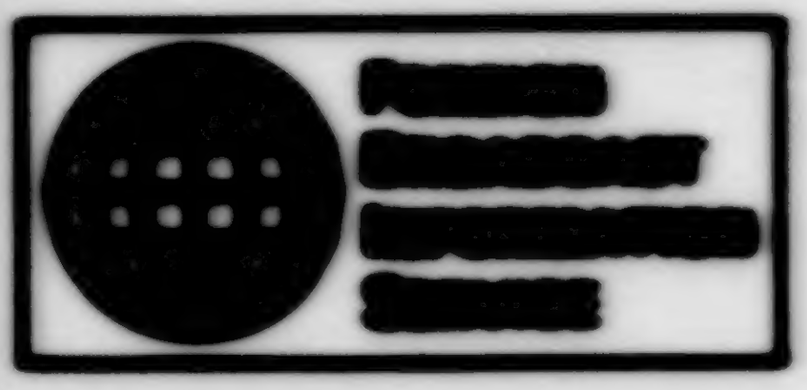

Daily Report

East Asia

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Thursday
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Daily Report
East Asia

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Japan

Further Reporting on U.S. Framework Talks

Official Threatens Sanctions

[SHUKAN BUNSHUN] [Tokyo MAINICHI DAILY NEWS in Japanese 11 Aug 94 Morning Edition p 5]

[Text] With regard to prospects for Japan and the United States reaching an agreement on government procurement talks under the bilateral economic framework talks, a top official of the Ministry of International Trade and Industry [MITI] said on 10 August: "The bilateral talks will reach a turning point when Lyles Kano, deputy prime minister and foreign minister, visits the United States in late September to attend a UN General Assembly session. We then demand the possibility that the two nations will reach an agreement at meetings among Kano, MITI Minister Ryutaro Hashimoto, and U.S. Trade Representative Mickey Kantor on 7 and 8 September.

It has become impossible for the two nations to make sufficient preparations for reaching the agreement because vice ministerial talks, originally scheduled for 7 and 8 September in Los Angeles, will be held only on 6 September at the U.S. request. Pointing to such circumstances, the same official said: "The vice ministerial talks on 7 and 8 September will not be held to settle the bilateral talks."

He further showed his view that if the United States decides to impose sanctions under 301 section of its Omnibus Trade Act, "trade talks on particular sectors will be broken off." Then he added: "However, whether the United States will readily make its decision remains uncertain. It must be thinking about adverse effects on the foreign exchange market."

Insurance Market Talks

[SEKAI KEIZAI] [Tokyo KYODO in English 1130 GMT 1 Sep 94]

[Text] Tokyo, Sept. 1 KYODO—Japan and the United States are likely to resume negotiations on Japan's insurance market, one of three priority areas in the bilateral trade "framework" talks, on Sept. 9 in Los Angeles, Finance Ministry officials said Thursday.

Topics up for discussion include the so-called "third sector" businesses such as insurance for illness, injury and nursing, and criteria for progress assessment, the officials said.

Negotiators from both countries are aiming to conclude the talks by the end of this month, before the deadline passes for the U.S. to single out Japan as an unfair trade partner and possibly impose sanctions under its "Super 301" trade provision.

Increase in Jul Car Exports to U.S. Viewed

[SHUKAN BUNSHUN] [Tokyo MAINICHI DAILY NEWS in Japanese 11 Aug 94 Morning Edition p 5]

[Commentary by Masayoshi Kanabe, Economic News Department]

[Text] The number of Japan-made vehicle exports to the United States in July marked an increase for the first time in 16 months. This was because Japanese makers increased their exports substantially to meet the increased demands in the robust U.S. market. The truth is, while Japanese makers have worked to increase the percentage of local production to avoid economic friction, they have not been able to meet the overheated demands, and have had to supplement local production with exports.

Passenger cars, Japan's foremost car export, recorded an increase over the corresponding months last year for four consecutive months. The government has just abolished its 15-year-old self-restraint on passenger car exports to the United States last March. If the present trend continues, car exports in FY 1994 are bound to exceed that of the previous year for the first time in eight years. A rapid increase in exports to the United States will not only result in further yen appreciation—which will in turn retard business recovery on the part of Japanese carmakers—but will also seriously affect the deadlocked Japan-U.S. economic framework talks.

However, the Japanese carmakers remain calm about the possible rapid increase in exports to the United States.

Toyota says: "Exports are increasing temporarily due to the rapid increase in U.S. demands. After our second plant in Kentucky, which started operations last March, begins operating fully, we expect exports for this year will not exceed those of last year."

Furthermore, Toyota and Nissan plan to increase the prices of their 1995 models to be launched this autumn by a margin higher than U.S. cars.

The U.S. market for new cars was very active in the January-July period this year with 9.11 million units being sold, representing a 9.3 percent increase over the same period last year. The Big Three took up a share of 72.3 percent, while Japanese cars made up 22.3 percent. For this reason, many people subscribe to the optimistic view that "unless Japanese cars again take up a share of more than 30 percent, like in the past, there will not be a resumption of criticisms against Japan," according to a senior executive of a major carmaker.

Press Coverage on Tokyo's Bid for UN Seat

Boutros-Ghali To Visit Tokyo

[OW 1330] 14 Tokyo KYODO in English 1304 GMT 11 Aug 94

[Text] Tokyo, Sept. 1 KYODO—UN Secretary General Boutros Boutros-Ghali will visit Japan Sept. 11-14 for talks

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with Prime Minister Tomiichi Murayama and Foreign Minister Yohei Kono, the Foreign Ministry said Thursday [1 September].

Butros-Ghali and his wife are also scheduled to meet Emperor Akihito and Empress Michiko during the four-day stay in Japan, the ministry said.

The UN chief is expected to discuss with Japanese leaders Tokyo's bid to become a permanent member of the UN Security Council.

Yasushi Akashi, special representative of the secretary-general for the former Yugoslavia and chief of mission of the UN protection force, will accompany Butros-Ghali to Japan.

The 71-year-old Butros-Ghali visited Japan in February and December last year.

Butros-Ghali Comments

OW1109083194 Tokyo KYODO in English 2320 GMT 31 Aug 94

[Text] New York, Aug. 31 KYODO—UN Secretary General Butros Butros-Ghali said Wednesday [31 August] the prospect for early UN Security Council reform has markedly dimmed and urged Japan to make greater efforts if it wants a permanent seat on the council.

Ghali told Japanese reporters that he is no longer optimistic about reform by 1995, the 50th anniversary of the United Nations, and is now looking at lengthy negotiations over the issue.

"Back on the date to have this reform for the 50th anniversary in 1995? Two years ago I was hoping. Now, I'm less sure," he said.

"It will take a long time, long discussions. Furthermore, we are overloaded by daily problems."

Ghali noted the major snag is differing opinions among member nations about which countries should be given new permanent seats.

Some members ask, "Why only Japan and Germany, why not certain Latin American countries," he said.

"If the major member countries can say yes to or postpone, we still have time, then you will not have reform," he said.

Japan's vaulting of a permanent seat will make no headway unless the nation displays a stronger will and greater efforts in seeking support from other members, he said.

"You can mention the participation of Japan in the Security Council with a permanent seat, but if the other members are not interested or if public opinion in Japan is not interested, there you can do nothing," Butros-Ghali said.

Butros-Ghali, who is scheduled to visit Japan on Sept. 11, dismissed lingering concerns in Japan that a permanent seat would force it to play a military role in UN peacekeeping missions abroad.

During his visit, Butros-Ghali said he will "reinforce the bilateral relationship between Japan and the U.N." and to try to quell fears of forced peacekeeping participation if Japan gains the seat.

"There is a wrong perception that the permanent members of the Security Council will compel Japan to participate in military operations, which is not true at all," he said.

"If a member state for constitutional reasons or for political reasons is not interested in military operations, there is no obligation."

Butros-Ghali asserted that Japan can provide technical or political assistance, such as dispatching election monitors, rather than making military contributions.

Butros-Ghali, who has been a solid supporter of Japan's bid for a seat, made a spirited call on the nations to show more articulate determination to pursue the status, apparently in view of recent cautious remarks on the issue by Prime Minister Tomiichi Murayama.

Murayama said permanent membership in the crucial UN forum could put Japan in a quandary, stemming from international pressure on Japan to do what its constitution does not permit.

Ghali, citing confusion on the issue, said certain politicians who oppose a permanent seat are "creating or contributing to this confusion that the permanent seat means an obligation to participate in military operations."

Brazil Backs Tokyo's Bid

OW1109084494 Tokyo KYODO in English 0830 GMT 1 Sep 94

[Text] Brasilia, Sept. 1 KYODO—Brazil's Foreign Minister Celso Amorim told visiting Japanese Foreign Minister Yohei Kono on Wednesday [31 September] his country supports Japan's bid for a permanent seat on a restructured UN Security Council.

Amorim made the comment in a meeting with Kono in Brasilia, Japanese officials said.

Brazil's former foreign minister, Fernando Henrique Cardoso, also offered support for the Japanese bid during a visit to Japan in May 1993.

The officials said Amorim also sought Japan's support for Brazil's own bid to join the council.

Amorim told Kono that the council should include developing countries such as Brazil and not just countries with strong economies or nuclear weapons.

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Kuno told Amorim that any reform of the council should take into account the emergence of major countries other than the current permanent council members.

He said the council should be reshuffled of the current permanent members in order to represent more UN member countries, adding that it is important to ensure a fairer geographical distribution of council members.

The current permanent council members are Britain, China, France, Russia and the United States.

Amorim told Kuno that as many of the problems the United Nations deals with are related to developing countries, Brazil should also become a council member, the officials said.

Kuno said that after completing his visit to Brazil, he wants to give closer consideration to the question of Japan's position toward the proposed restructuring of the council before he attends the UN General Assembly session at the end of September.

During his talks with Amorim, Kuno sought, and was offered, Brazil's cooperation in celebrations in November 1995 marking the 100th anniversary of the signing of a treaty of friendship between the two countries. Kuno later had a joint meeting with Chilean Foreign Minister Carlos Figueroa Serrano and Ecuador's Foreign Minister Diego Paredes as well as Amorim. The Chilean and Ecuadorian ministers also expressed support for the Japanese Security Council membership bid, the officials said.

Brazil, Chile and Ecuador are the present, next and previous chairs of the Rio Group of 12 Latin American countries.

At a press conference after the meetings, Kuno said the talks show that support for Japan's bid for a place on the council comes from countries in Latin America as well as Japan's immediate neighbors in Asia.

"It is very relevant in considering our country's position with regard to the U.N.," Kuno said.

Kuno also paid a courtesy call on Brazilian President Itamar Franco.

Kuno congratulated the Brazilian president on his country's win in World Cup soccer in the United States in July and mentioned the contribution to the popularity of soccer in Japan by several Brazilian players currently playing for Japanese teams, the officials said.

Kuno left Japan on Sunday for Brazil, Argentina and Egypt. He is due back in Japan on Sept. 12 after attending a UN conference on world population and development in Cairo.

Resumption of Loans for Brazil Considered

OW0109090894 Tokyo KYODO in English 0841 GMT 1 Sep 94

[Text] Brasilia, Aug. 31 KYODO—Japan will consider resuming loans to Brazil even without the latter's agreement with the International Monetary Fund (IMF), Japanese Foreign Minister Yohei Kono said Wednesday [31 September].

Kono, on a visit to Brazil, told Finance Minister Rubens Ricupero that the Export-Import Bank of Japan could restart loans that are deemed beneficiary for the friendship between their countries.

Untied loans whereby the use of funds are unspecified will not be considered, however.

Loans by the Export-Import Bank of Japan were suspended in September 1992 due to Brazil's worsening financial situation.

An agreement between Brazil and the IMF on stand-by credits whereby a credit allocation is decided, was set as a condition for resumption of financing.

Brazil has, however, asked Japan to resume the loans, pointing out that inflationary pressures have subsided.

SDF Ordered To Prepare for Rwandan Mission

OW0109090894 Tokyo KYODO in English 0826 GMT 1 Sep 94

[Text] Tokyo, Sept. 1 KYODO—Japan's defense chief Tokuichiro Tamazawa on Thursday [1 Sep] ordered the chiefs of staff of the ground, air and maritime Self-Defense Forces (SDF) to prepare a contingent to support Rwandan refugees stranded in neighboring Zaire for six months.

The Defense Agency envisages the troops being ready for dispatch to their area of service in eastern Zaire by mid-September, officials said. The cabinet of Prime Minister Tomiichi Murayama will officially decide on the detachment plan Sept. 13.

SDF guards will be carrying machine guns since the security situation has been deteriorating recently, the officials said. Other SDF staff will be equipped with small arms such as pistols and revolvers for self-defense.

The troops will also bring along armored command communications vehicles to ensure coordination between the refugee camps and their logistics base in the Kenyan capital of Nairobi.

Taking into account the unstable situation on the borders of Rwanda, the agency decided to increase the number of guards joining the mission to more than 40 officers, raising the overall number of SDF staff participating beyond the 300 originally planned, the officials said.

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In the Zairean town of Goma, the troops will provide medical assistance and water, and set up camps for Rwandan refugees who fled from civil war, and in Nairobi they will assist in transporting relief supplies.

Following a forerunner to be sent in mid-September, two core troop units will leave for Africa at the end of September and in mid-October, the officials said.

A second contingent will take over the relief operations after three months. Three C-130 transport planes from the Air SDF will operate a shuttle service between Goma and Nairobi, while another C-130 will replenish relief supplies and provisions with shipments from Japan wherever necessary.

To airlift large machinery such a bulldozers the SDF will charter a C-5 cargo aircraft from U.S. Forces.

STA Head Apologizes for Satellite Failure

OW [OW0409064594 Tokyo KYODO in English 0617 GMT 1 Sep 94

[Text] Tokyo, Sept. 1 KYODO—The director general of the Science and Technology Agency [STA] apologized Thursday [1 September] for the failure to put satellite Kiku into its final geostationary orbit, saying she feels much responsibility because the project used taxpayers' money.

Director General Makiko Tanaka said the agency will try to make the best use of the 41.5 billion yen satellite, which is on an elliptical orbit where most of its planned program cannot be achieved.

"There can't be progress without some waste involved. I still believe the science is trustworthy," she added.

The National Space Development Agency (NASDA), an affiliate of the Science and Technology Agency, announced Wednesday it has abandoned trying to change the orbit of Kiku (Chrysanthemum) into the planned geostationary one above the equator.

In the nation's first solo launching of a 2-ton class geostationary satellite, Kiku was launched Sunday from NASDA's space center on the southern island of Tanegashima, Kagoshima Prefecture, aboard an H-2 rocket, built entirely with Japanese technology.

In order to conduct planned scientific tests, the satellite had first to be placed into a circular drift orbit and then into a geostationary orbit at a slightly lower altitude.

NASDA Director Masato Yamano said Kiku may carry out some of the planned program in its current orbit, such as testing communication between satellites.

Asked to comment about the failure of the Kiku project, and possible waste of 41.5 billion yen, Prime Minister Tomiichi Murayama told reporters Thursday "it was regrettable." But he said, "I suppose that kind of failure happens."

APEC Forum Holds Meeting on Tokyo 1 Sep

OW [OW0109134994 Tokyo KYODO in English 1251 GMT 31 Aug 94

[Text] Tokyo, Aug. 31 KYODO—The Asia-Pacific Economic Cooperation (APEC) forum will hold a two-day vice ministerial meeting for small- and medium-size businesses in Tokyo from Thursday [1 Sept], government officials said Wednesday.

Vice ministers from the 17 APEC member countries and regions will attend the meeting to prepare for a ministerial meeting to be held in late October in Osaka, the officials said.

Soyabumi Okamatsu, vice minister for international affairs at Japan's Ministry for International Trade and Industry, will chair the vice ministerial meeting.

Murayama Said 'Inclined' To Postpone PRC Visit

OW [OW0209134994 Tokyo KYODO in English 2247 GMT 31 Aug 94

[Text] Tokyo, Sept. 1 KYODO—Prime Minister Tomiichi Murayama is inclined to postpone a planned official visit to China, tentatively set for October, due to prospects of a nuclear bomb test by Beijing around the same period, a government source close to Murayama said late Wednesday [31 August] night.

Murayama, who earlier showed a strong desire to visit China on the heels of a just-concluded Southeast Asian tour, "has considerably toned it down of late," the source said.

The premier is worried that a possible nuclear test during his China visit could have a negative impact on his foreign policy because Japan, the world's only atomic-bombed nation, is strongly opposed to nuclear experiments, political analysts said.

Japan has repeatedly protested over China's past nuclear tests, including the first one this year conducted in June.

Speculations is growing that China may stage another test around mid-October.

Murayama took office in June as Japan's first socialist prime minister in nearly half a century. He has since visited South Korea and four Southeast Asian countries, besides Italy, where he attended a summit of seven economic powers held in Naples in July.

Murayama Support Rate Climbs to 43 Percent

OW [OW0209020694 Tokyo YOMIURI SHIMBUN in Japanese 31 Aug 94 Morning Edition p 1

[Text] YOMIURI SHIMBUN conducted a nationwide public opinion survey on 27-28 August on the trend in public support for the administration of Prime Minister Tomiichi Murayama. The results of the survey showed the support rate for the administration at 43.1 percent, a rise of six percentage points over a similar survey on July

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reform the administration was championed. The nonsupport rate dropped five percentage points to 41.6 percent, falling below the support rate. Apparently, Prime Minister Murayama has given the people a good impression because of his personality and he has declared that "the Self-Defense Forces [SDF] are constitutional," even though he belongs to the Socialist Democratic Party of Japan [SDPJ], which has traditionally considered the SDF as unconstitutional. It can be said the people have also praised the prime minister for doing a good job in carrying out diplomacy which has been considered his weak point. For example, Murayama has completed a tour of Southeast Asian nations following a visit to the ROK and his participation in the Naples summit.

Asked why they supported the Murayama administration, 29 percent of the respondents said they supported it because they "feel it may accomplish some new tasks." Another 25 percent said they supported it because "it is better than the previous non-Liberal Democratic Party [LDP] coalition governments." This was followed by 24 percent who expressed support because the Murayama administration "is better than past LDP governments" and 22 percent who did likewise because "the prime minister is reliable."

In contrast, 51 percent expressed nonsupport because "the LDP and SDPJ have joined hands in an unprincipled manner." Another 32 percent cited "lack of stability" as a reason for their nonsupport. This was followed by 30 percent who expressed nonsupport because they felt the administration is "unlikely to get anything accomplished."

Meanwhile, political parties registered support rates as follows: LDP 27 percent, SDPJ 10 percent, Shinseito [Japan Renewal Party] 7 percent, Japan New Party 1 percent, Komeito 3 percent, and Sakigake [Harbinger] 2 percent. Shinseito's support rate increased by 1 percentage point over last month, while Sakigake's support rate dropped by 1 percentage point. Other parties' support rates remained at about the same levels as last month.

FY95 Budget Cuts To Affect Defense Industry

[Editorial Report] Tokyo NIHON KEIZAI SHIMBUN in Japanese 31 Aug 94 Morning Edition p 12

[Text] In the defense budget request for FY95, expenditure for material equipment saw a marked decrease of 14.0 percent compared to the FY94 budget. Although the Defense Agency [DA] attempted to achieve its projected amount of equipment procurement by deferring payments to subsequent fiscal years, it had to give up hopes of achieving the targeted procurement of aircraft and armored vehicles in the mid-term defense buildup program (FY91-FY95).

While there is still a slight possibility that some equipment procurements may be reconsidered in the course of the budget formulation process by the end of 1994, the defense industry will, for certain, face a serious deterioration in its rate of operation. The aircraft manufacturers are now undertaking self-help efforts by obtaining orders from the civilian sectors. It also plans to persuade the DA to initiate research and development projects aimed at maintaining the technological level.

The main equipment procurement items included in the FY95 budget request are: Five F-15 fighters and 23 Type-90 armored vehicles—both short of the number projected in the mid-term buildup program.

In the case of large equipment, such as aircraft, it takes several years from the receipt of orders to the time equipment is actually delivered. Therefore, the real decline in sales is expected to surface around FY97. Even Mitsubishi Heavy Industries, Ltd., the top aircraft manufacturer, is now working to expand its civilian aircraft operations to avoid a serious deterioration in profits. On the other hand, it will also "suggest research and development projects aimed at maintaining the technological level to the DA." (according to Mitsubishi Managing Director Takashi Nishioka)

China's Low Cost, Huge Market Attract Industry

[Editorial Report] Tokyo EKONOMISUTO in Japanese 5 Jul 94 pp 30-39

[Article by Mitsuharu Seki: "Super High Yen—Manufacturing Leaving Japan"]

[Text] In the quest for low land prices and an inexpensive labor force, one Japanese firm after another is expanding into China. However, caution needs to be used because there are also cases of the total cost being "on a par with Japan." At the same time, however, there are firms that have succeeded in unexpected restructuring by expansion into China, so calculating the balance between benefits and disadvantages is not so easy.

The expansion of Japanese firms into China has suddenly become energetic in recent years. The cumulative expansions (on an approval basis) over the 13 years from 1979 when reform and openness started until 1991 was approximately the same number of instances of expansion as the single year of 1992. Further, with the single year of 1993 being almost the same as the cumulative total up to that time, it now appears that expansion is becoming even more vigorous. It is almost certain that the number in 1994 will top the figure for 1993, making it seem as though Japanese firms are being literally sucked into China.

Particularly, as a recent trend, expansion by major corporations in the electrical and electronics fields as well as automobiles has become pronounced and "China as a market," which had been considered to be quite far off into the future, has now come into view, which is what Japanese firms are setting their sights on in promoting expansion into China. Medium and small firms, with the spectacle of parent companies expanding into China unfolding before their eyes, are being told that

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FBIS-EAS-94-170
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"we cannot give you work domestically but will if you come to China," etc., and are being forced to consider for themselves the prospect of having to make an unanticipated move to a foreign country such as China. Voices filled with bitterness are beginning to be heard in on the nation's medium and small firms, saying, "We are alarmed whether we go or stay."

Some Land Prices Even "Dirt Per Unit Area"

It is interesting to note that, when one hears discussions about Japanese firms expanding into China or East Asia, a lot of attention is frequently paid to the low costs involved. In fact, one even hears such statements by managers of expanding firms that "you can hire 50 people with the amount you might pay for one Japanese employee," "personnel expenses can be ignored," etc. Meanwhile, from the expanding firms actually located in these areas, there are reports that paint a different picture: "Wage levels rose 20 to 30 percent in six months and they would have gone on strike if we had been late in dealing with it." It seems that managers in Japan somehow have the sense that "personnel costs are surprisingly low," but those in charge locally are saying that "personnel expenses are not as cheap as we had thought. It is tough because they are rising so precipitously."

It is interesting to note that, when one hears discussions about Japanese firms expanding into China or East Asia, a lot of attention is frequently paid to the low costs involved. In fact, one even hears such statements by managers of expanding firms that "you can hire 50 people with the amount you might pay for one Japanese employee," "personnel expenses can be ignored," etc. Meanwhile, from the expanding firms actually located in these areas, there are reports that paint a different picture: "Wage levels rose 20 to 30 percent in six months and they would have gone on strike if we had been late in dealing with it." It seems that managers in Japan somehow have the sense that "personnel costs are surprisingly low," but those in charge locally are saying that "personnel expenses are not as cheap as we had thought. It is tough because they are rising so precipitously."

In this vein, first of all, land in China is state-owned and is being sold on the basis that its use is permitted for 50 to 70 years. These land prices are extremely arbitrary, and, in the process of negotiations, fluctuate a good deal. Moreover, as a general tendency, the Chinese side seems to be using typical industrial land prices of the East Asian nations as a reference, so the conventional wisdom has the standard price of one square meter at about $50. And, depending on location-related conditions, infrastructure preparation conditions, etc., a specific price will be set. For instance, some industrial property areas in the Pudong new district with outstanding location even exceed $100 per square meter. In the Wuxi suburbs of Jiangsu Province, the same area would sell for $35 to $40. Additionally, the basic acquisition price of the massive, 70-square-kilometer Suzhou Singapore Industrial Park that was drawn up in February 1994—although called a policy price—was said to be $20 per square meter.

Further, in general, outside of acquisition fees, there are cases where a land-use fee of 1 to 2 yuan (1 yuan is about 13 cents) per square meter is added annually. As a result, China's land prices could hardly be called cheap, not only when compared with the countries of East Asia, but with the regions of Japan as well.

Next, although there is a fairly sizeable variation in personnel expenses depending on region, when one looks, for instance, at places in and around Shanghai, Suzhou, Wuxi, which are the focus of Japanese firms' expansions, expenses in recent years have increased rapidly, and the monthly wage level of general laborers at state-owned firms has reached about 900 yuan and about 800 yuan for technicians. Of course, there are state-owned firms plagued by deficits that pay less than 300 yuan. It is standard to pay from 300 to 500 yuan even at native firms.

And, regarding foreign firms, as a general tendency, there are many cases in which these expenses are more than 120 percent of that of state-owned firms. This would mean, for instance, that in areas where state firms are at the 500 yuan level, foreign firms would pay at least 600 yuan (approximately $80 yen). Lately, there were frequent strikes that occurred at a Japanese firm that had expanded in China which happened because the foreign firm could not keep pace with the wage increases of state-owned firms, resulting in employer dissatisfaction.

Also, in China, responsibility for welfare, such as housing, medical care, pensions, etc., is taken by the unit to which one belongs (the workplace). On this point, a process of trial and error has things heading in the direction of responsibility being shouldered by society as a whole, but it is said that realization may take another 20 years. Consequently, in the future foreign firms will also have to be responsible for welfare, such as housing, etc. However, the burden of housing is extremely vague, and handling those people who are already living in other housing is varied.

A person who had previously been employed at a state-owned firm would, in many cases, remain residing in housing owned by the state-owned firm. While there are cases in which the rent would continue to run from 5 to 6 yuan per month, there are also cases in which the state-owned firm side would charge 300 to 500 yuan. Also, in the case of commuting employees who are identified by census registration as farmers, etc., there would be no burden of housing expenses.

In China strict control of census registration is carried out and 20 percent of the total population are registered as city residents and are guaranteed their housing, medical care, pensions, etc., from the workplace. In contrast, 80 percent of the people are registered as farmers so that there is no assurance of housing, etc. Farm housing is regarded as something that farmers build themselves. Consequently, foreign firms that have located in the cities will end up being responsible for housing, medical care, and pensions as long as they employ people registered as city dwellers. One often hears from firms that have expanded that "we thought that wage levels were low, but the various other required expenses end up being about the same thing." This is because China has the above types of special circumstances.

Pay Attention to Local Cost

On this point, in the case of firms that expand into agricultural regions and hire farm workers, as a rule they can get by without being responsible for housing and the rest. However, many regions into which Japanese firms appear likely to expand have already begun to develop by means of indigenous firms, etc., and in these types of

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regions, even the indigenous firms have begun to make efforts toward welfare, and as the conventional wisdom of the region, it has become a matter of course that the foreign-owned firm would be responsible to a certain extent. Depending on the expanding firm, although there are cases in which firms do not take on any responsibility at all besides wages, it is clear that in the future they will have to be responsible at least for medical care, pensions, etc., so expanding firms will have to make preparations for that.

Depending on the region, there are places whose selling points include the fact that there is no housing burden and that low wages of about 300 yuan stem from the fact that farmers are employed, among other things. Moreover, when one takes the long-term view, preparing to take adequate responsibility will be necessary in order to be a "respected and trusted firm." Consequently, wage levels, viewed from the local firm level, will range from 300 yuan to about 900 yuan and, further, when one considers benefits, real personnel expenses will range from 600 yuan (approximately 7,800 yen) to 1,800 yuan (about 23,000 yen). It will be interesting to see how the above per capita real wages will be evaluated. Since this is a level that is equivalent to somewhere between 1/30th and 1/50th that of Japan, it will probably be quite appealing to Japanese firms which are expanding to China to use it as an export assembly base.

In future, wage levels are likely to increase even more. On the other hand, the rise in earning power will signify a rise in purchasing power, so, to the extent that they are aware of China's future market, although firms may grumble about the "fast-paced wage increases," expansion of Japanese firms into China will likely become even more animated as they keep a watchful eye on both low wages and market expansion. For firms, it is probably hoped that wage costs will be low, but on the other hand, an expansion in purchasing power is also appealing, and a balance of those would mean progress in the situation. It is on this point that one would see the major difference between other countries with small-scale populations and China with its enormous population.

Although the wage expenses outlined above represent the basic wage rate, a good many voices heard from expanding firms express the feeling that the total cost is turning out to be unexpectedly steep. Cases in which an expansion has broken down and resulted in withdrawal would probably indicate that the total cost was surprisingly high. Quality control is insufficient, resulting in time-consuming rework, acquisition of materials does not proceed smoothly, transportation conditions are inadequate, the cost of making contacts in terms of communications and transportation are unexpectedly high, there are costs involved in solving various problems, and so on. In addition, unexpected costs occur that are on a different dimension from what is the conventional wisdom in Japan. It must be mentioned here that there have been rapid improvements compared to the way things used to be, but depending on the region, industry type, and, to some extent, timing, the way things turn out will vary. The costs involved in ameliorating these various problems must be included.

On this point, the opinion of a segment of firms suggests that manufacturing in China is not cheap at all. On the contrary, these firms seem to rate future "stable acquisition of supply capacity" and "China as a market" as having the greatest benefits of expanding into China. Firms that mainly focus on such aspects as the wage level being 1/30th to 1/50th that of Japanese levels will probably be hit with the reality that "things weren't supposed to turn out this way." Just being allowed to work in a foreign land is difficult enough, and they will need to be ready to face these difficulties when expanding.

Expanding Firms: Two Cases

Even Japanese firms which initially were enticed by the prospect of a "cheap and abundant labor force" have, amid deepening experience, became aware of the fact that the "immense market" that they had considered to be quite far in the future is becoming a reality and that "the selection of personnel is unexpectedly large."

The case of Sanyuan, which located in Kunshan, Jiangsu Province, typifies this type of firm and is quite interesting. Although Sanyuan is a medium-sized firm that engages in urethane foam processing in Osaka City, in recent years it found itself in a trend of a decreasing number of personnel. For that reason, it early on acquired an interest in China and in 1988 expanded to Kunshan. Its employees number about 120. Its main product is foam formed from urethane. Further, it is producing legless chairs, etc., which are secondary processed items. It supplies two-thirds within China, but that is what it sells as foam raw material. The remaining one-third is in consideration for the foreign money balance (it raises the foreign money for the purpose of taking home profits and funds for purchasing materials from foreign countries), so it is adding secondary processing and is mainly exporting legless chairs to Japan.

Subsequently, however, has advanced favorably and its relative importance is becoming even greater as a China new market. Although Sanyuan Japan's work consists only of a cutting process for the urethane foam, Kunshan's Sanyuan, due to the need for acquiring foreign money for the purpose of importing materials, had to do such things as embarking on production of legless chairs, etc., so its China development triggered its branching out into a new business. And the fact that it has secured a stable supply capacity in China has become the focus of Japanese distributors, and the fact that new users such as mass sales stores, etc., have been acquired is receiving special mention.

This firm, gradually beginning to comprehend the possibilities of expanding business in China, has, since 1989, established new joint venture companies in

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Shanghai and Ningbo, and currently six joint ventures number as many as four. The scope of its business is ever expanding, with its Shanghai concern engaged in sewing and its Ningbo concern having a hand in things like sewing machine thread and urethane foam processing, etc. Since these new joint ventures were generated by reinvestment of profits, the company says it wants to increase its joint venture firms at the rate of one per year in the future as well.

Faced with the situation domestically of a grave labor shortage and skyrocketing wages, Nextage has said its expansion into China with the expansion of business opportunities and, in the form of reinvestment, has become firmly established in China. The point that should be focused on, therefore, is the fact that it found a direction for development that was quite different from its domestic business. In the future, the relative importance of Japan will gradually be diminished, and the company is enthusiastic about increasingly deepening its interest in new business in China.

While Japanese firms accumulate experience overseas and experience in China, firms have also appeared that are utilizing expansion into China as an opportunity for business restructuring. Daiken, headquartered in Osaka, is an information processing service whose main work involves data entry and processing. In Japan, it had established an annex in Shiga [Prefecture], etc., but it had particular difficulty in securing data entry personnel, and, with its survival on the line, it expanded in 1985 into the Shenzhen Special Economic Zone. Although its business in Shenzhen went well, the labor shortage accompanying the development of the special economic zone became serious. Feeling uncertain about the future, it considered development in another region in China and settled on expansion into Shanghai due to its ease of access from Osaka.

Shanghai Daiken's employees number approximately 700 people. It employs fresh graduates (female) from high school. Subsequently, its business in Shanghai did well, and there was continued hiring of college graduates attracted by the prospect of high wages at a foreign-owned firm. Eventually, the number of employees from a noted Shanghai area science and engineering university came to number 40 people.

Despite the fact that generally it would be unthinkable in Japan that a medium-sized firm with several tens of employees would employ graduates from an engineering university, in China, it is common for a large number of exceptional college graduates to enter even medium-sized firms which have expanded there in the quest for "cheap and abundant labor." Behind these personnel acquisitions is the appearance of firms that have transformed themselves from medium-sized firms consisting of simple assembly-type processes, etc., to highly covered development-type firms.

In Daiken's case, although it was engaged initially in the input of imaging data, such as entry of Chinese characters, map information, etc., currently it has even expanded its scope of activities to include the development of software. In a word, that would mean that Daiken's expansion into Shanghai enabled it to take a huge leap from a medium-sized data entry company that depends on a simple labor force to a development-type firm.

Enormous Market and Personnel Selection

In China, in general, there are not really enough opportunities for employment to satisfy college graduates at present. For that reason, there are big expectations toward foreign-owned firms with relatively high wage levels. It could be said that employment of these types of human resources and giving them the opportunity to exhibit their capabilities will have major significance not only for the expanding firms but from the standpoint of China's personnel education as well.

Although in general there are numerous cases of Japanese firms that are beginning their cost issue expansion activities on a "cheap and abundant labor force," the "low cost" of personnel expenses, etc., these are points that are given that are a one-sided characterization of China as an investment environment. In terms of the "total cost," there is a need to be prepared for the discovery that things are not all that cheap. In fact, it appears that there is a need to pay attention to the point of being able to secure a "long-term stable supply capacity" to balance the total cost. Further, although initially it would be unreasonable, in China's case in particular, there are extremely important elements such as the "existence of an enormous market" and "the rich selection of human resources," so it is necessary to consider expansion as a good opportunity for restructuring the firm itself as well as a chance for new business opportunities. When one considers the cost, etc., involved in expanding to a new domestic business, the costs accompanying expansion into China will probably become regard with new significance.

PRC Bank Official Wants Lower Exchange Risks

OW0103085594 Tokyo NIHON KEIZAI SHIMBUN in Japanese 01 Aug 94 Morning Edition p 7

[Text] Wang Quan, chairman of the Board of Directors of China Bank, the PRC banking institution specializing in foreign exchange, gave an interview to NIHON KEIZAI SHIMBUN reporters in Tokyo. He gave his views on the bank's raising of yen capital, and business operations in Japan and Hong Kong.

China Bank serves as the window for yen loans. Commenting on the increasing repayment burden due to the appreciation of the yen, Wang said, "We hope there will be measures to reduce the risks on the part of the debtor," indicating he plans to seek measures to reduce the PRC's economic burden.

China Bank started to take part in the issuance of currency in Hong Kong last May. Regarding the bank's role after the return of Hong Kong, Wang stated: "We

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would like to make contributions to Hong Kong as a commercial bank, we will not have the characteristics of a central bank."

The following are the major points of the interview:

[NIHON KEIZAI SHIMBUN] Negotiations for the fourth yen loans are under way. How would you deal with the increased repayment burden due to yen appreciation?"

[Wang] Foreign exchange risks constitute the greatest problems in yen loans. The substantial appreciation of the yen's value results in a great burden for the debtor. China Bank has paid much attention to the foreign exchange risks in its fund raising, and has made use of such methods as currency swap or futures exchange. However, when it comes to substantial yen borrowings running over an extended period of time, there is no way to hedge risks completely. This problem should be discussed between China and Japan, and we would like Japan to share the foreign exchange risks as much as possible.

[NIHON KEIZAI SHIMBUN] How do you look at the Japanese market as the PRC agency for raising foreign capital—for instance, through issuing yen-denominated bonds?"

[Wang] The issuance of bonds is an important tool to raise capital. Since bonds were issued for the first time in the Tokyo market in 1984, we have done this 22 times overseas, including 13 times in Japan, and twice in Singapore. In the future, we will continue to give much weight to Japan and the Asian markets.

Party Officials Discuss Reform of Tax System

OW1109052296

[Editorial Report] Tokyo ASAHI SHIMBUN in Japanese on 20 August in its morning edition on page 2 begins a series of interviews entitled "Ruling and Opposition Parties Interviewed on How They Plan To Deal With the Tax System Reform."

In its introduction to this series of interviews, ASAHI SHIMBUN says that the three ruling coalition parties' project teams on the reform of the tax system will resume discussions on 24 August and that the team will focus the discussions on tax cuts and hikes after 1995 in a bid to formulate a draft reform program for the current tax system by mid-September. The newspaper also notes that while the Finance Ministry is meeting on handling the tax cuts and hikes, including raising the rate of the consumption tax, as a package, many members of the ruling coalition parties are cautious about raising the consumption tax rate.

The first installment on 20 August is a 1,500-character interview with Koichi Kato, chairman of the Policy Research Council of the Liberal Democratic Party (LDP), and Takeshi Noda, representative of Kaishin, an LDP breakaway group. The name of the interviewer and place and date of the interview are not given.

The interview with Kato begins with the question of how to handle the tax cuts and hikes. Kato says that no decision has been made about how the tax cuts and hikes should be handled, but he notes that "it has already been decided that the tax cuts will come before the tax hikes." Kato also says, "My feeling is that the tax hikes will be delayed until after the economic situation improves."

In the interview, Kato emphasizes, "If the tax cuts and hikes are handled as a package, the tax cuts would have little effect in stimulating the economy, thereby incurring criticism from other nations." When asked how financial resources should be secured to offset the tax cuts, Kato replies: "The three ruling coalition parties have agreed on the point that they will not shy away from the issue of tax hikes. They will discuss the tax cuts and the issue of securing financial resources to offset the tax cuts together."

In reflecting on the history of introducing the consumption tax, Kato says: "The reform of the tax system should not be promoted in a high-handed way. It took 10 years for the LDP to introduce the consumption tax. During that decade, four cabinets collapsed, and many of my colleagues were defeated in elections. The people came to have a understanding of the consumption tax five years after it was put into effect."

In commenting on the differences between the LDP and the SDPJ over the issue of raising the consumption tax rate, Kato notes that "the LDP still believes that the SDPJ will not agree to raise the rate of the consumption tax, and the LDP sees the SDPJ as a political force that opposes the consumption tax." He adds that the LDP will attach importance to dialogue with the SDPJ.

The interview with Noda begins with the question of how the tax cuts and hikes should be handled. Noda replies, "It is a matter of course that the tax cuts and raising the rate of the consumption tax should be handled as a package." He adds, "As an opposition party, Kaishin is asking the government to make clear how it plans to secure financial resources to make up for a fiscal shortfall caused by the tax cuts." When asked about how far the consumption tax should be increased, Noda says, "My personal opinion is that the rate of the consumption tax should be raised by 3 to 5 percent, and that the size of the tax cuts should be adjusted in proportion to the size of the increase in the consumption tax."

The interview with Hino begins with the question of how to handle the tax cuts and hikes. Hino replies that debates should be held on how to handle the tax cuts and hikes and notes, "If raising the rate of the consumption tax is curbed at less than 5 percent, taxes could then be raised and cut at the same level, and then consideration could be given to welfare measures." Hino also says, "There is a possibility that if taxes are increased to secure financial resources for welfare programs, the

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people will understand the tax increase," and he adds that the perception is growing among the people that the fiscal situation is difficult.

In stressing the "importance of maintaining the size of the tax cuts," Hino states that if taxes are partially cut in 1995 at the same rate as occurred in 1994, then the rate of the consumption tax does not have to be raised to secure financial resources to offset the tax cuts, or the increase in the rate of the consumption tax can be kept at a low level. When asked if the SDPJ still insists on abolishing or amending the consumption tax, Hino answers, "My opinion is that the SDPJ is no longer seeking to abolish that tax." In discussing the relationship between administrative reform and the reform of the tax system, Hino observes: "It is hard to draw a conclusion as to how far the administrative reform will affect the tax cuts. I believe that the tax system reform and the administrative reform should be handled separately."

The interview with Funada began with the question of raising the rate of the consumption tax. Funada says, "The former ruling coalition parties, in their report on the tax system reform, envisaged a 7-percent increase in the consumption tax rate." In discussing the rate of the tax cuts and hikes, Funada states: "If the government and ruling coalition parties intend to handle the tax cuts and hikes separately, we will seek to hold them responsible for handling them separately. If they intend to handle the tax cuts and hikes as a package, we would approve of this highly."

At the end of the interview, Funada emphasizes that Shimanto intends to curb the amount of the people's tax burden to less than 50 percent (figure as published). He also notes that the "SDPJ will perhaps take the position of seeking the state to bear more financial burdens."

Jul Tax Revenues Fall 15.8 Percent From Jul 93

OW1009080594 Tokyo KYODO in English 0617 GMT 1 Sep 94

[Text] Tokyo, Sept. 1 KYODO—Japan's tax revenues in July came to 4,759.20 billion yen, down 15.8 percent from a year earlier, with the fiscal 1994 cumulative total at the end of the month amounting to 9,185.77 billion yen, a fall of 9.7 percent from a year before, the Finance Ministry reported Thursday [1 September].

The year-on-year decrease in July tax revenues reflected a 20 percent cut in income tax carried out in June to stimulate domestic demand, ministry officials said.

Revenues from income taxes collected at source fell 22.2 percent from a year earlier to 2,787.73 billion yen, with a cumulative total of 4,873.25 billion yen, down 13.0 percent from the previous year.

Revenues from corporation taxes decreased 24.0 percent from a year earlier to 247.15 billion yen, with a cumulative total of 702.30 billion yen, 11.8 percent lower than a year before.

The officials partly attributed the smaller corporation tax revenues to an increase in repayments to companies which closed accounts at the end of March due to business results that were worse than expected.

'Turf War' Over Telecommunications Interfaces

OW1108163194 Tokyo KYODO in English 1521 GMT 31 Aug 94

[By Kenji Urakami]

[Text] Tokyo, Aug. 31 KYODO—Coincidentally or not, four of Japan's government ministers have crafted similar plans for Japan to become an information-oriented society in the next century.

The grandeur picture has been painted in spending requests for the fiscal 1995 national budget, which were submitted by each ministry and agency concerned to the Finance Ministry by Wednesday [31 August].

But many observers question the projects' practicality and viability as interministry policy coordination is lacking.

Some describe the current situation surrounding a multimedia fever as a "turf war" among the four ministries, especially between the Posts and Telecommunications Ministry and the Ministry of International Trade and Industry (MITI).

In May this year, the Posts Ministry unveiled a three-stage scheme to build a nationwide optical-fiber telecommunications network by 2010.

The scheme, apparently prompted by "the information superhighway scheme" advocated earlier by U.S. Vice President Al Gore, is designed to stop Japan lagging further behind the United States in multimedia areas.

As a way to finance part of the scheme, estimated to cost between 33 trillion and 53 trillion yen, the Posts Ministry in its budget request sought 66.5 billion yen in creation of interest-free loans for telecom companies and cable television operators planning to lay optical fibers.

The ministry also requested 4.08 billion yen to fund optical-fiber projects linking schools, hospitals and libraries of designated local governments.

The concept, however, overlaps MITI's 800 million yen funding request for networking schemes among local governments.

A senior MITI official denied the MITI project's alleged similarity to that of the Posts Ministry.

"The Posts Ministry seems to be sticking to the idea of optical-fibers while MITI is considering a broader scope of telecom projects," the official said.

Meanwhile, a top official at the Posts Ministry acknowledged the similarity of the two schemes. But he added,

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"it was impossible for the two ministries to have policy coordination on the matter."

The Construction Ministry has joined the turf battle on information and telecommunications, a topic long considered as a domain of MITI and the Posts Ministry, with a 40 billion yen project to lay trenches for a nationwide optical-fiber cable network along the nation's 20,000 kilometers of road.

As a first step, the Construction Ministry sought 6.12 billion yen in next fiscal year's budget.

A war to grab budgetary allocations is also unfolding in medical-related multimedia areas.

MITI and the Posts Ministry separately requested a certain amount of funding in the fiscal 1995 budget in order to develop remote-controlled medical checking systems.

A senior Posts Ministry official did not conceal anger against MITI. "We were the first to draw up a plan," he said.

The Posts Ministry claims it first wooed the Health and Welfare Ministry to take part in its original plan.

"It was MITI that frustrated our joint plan and won the Health Ministry over to their side," said an official at the Posts Ministry.

MITI countered the criticism, insisting the Posts Ministry plotted a scheme designed to make the Health Ministry break with MITI.

Apart from the quarrel over this remote medical service, the Health Ministry unveiled a spending plan in the budget request to establish a multimedia network for kidney transplants, another source of contention that may involve MITI and the Posts Ministry.

The senior MITI official said, "creating a completely new ministry, like an Information and Telecommunications Ministry, may be a solution. But that is not practical."

Earlier this month, the government set up a task force to address various problems that may arise in the coming multimedia society.

The prime minister was appointed as the director of the new organ while the two second-highest posts of vice director were given to two people—the MITI minister and the posts minister.

NTT, Rivals in Conflict Over New Telecom Service

OW0109080594 Tokyo KYODO in English 0809 GMT 1 Sep 94

[Text] Tokyo, Sept. 1 KYODO—Nippon Telegraph and Telephone Corp. (NTT) is at loggerheads with its rivals over their plans to link their networks to the NTT system to offer new high-speed data communications services in major cities, industry sources said Thursday (1 Sep).

NTT has rejected its rivals' plans on the grounds that they are "unprecedented," the sources said.

DDI Corp. and other NTT rivals plan to link their new networks to NTT's Intracity system to offer "frame relay service," a high-speed digital data communications service for computers, in major Japanese cities by the end of the year.

NTT, however, has already applied to the Ministry of Posts and Telecommunications for approval of its plan to offer such a service in Tokyo, Osaka and other major cities, beginning in October.

NTT monopolizes the intracity communications system in Japan and is seeking to prevent a marketing offensive by its rivals, the sources said.

The Telecommunications Council, a postal ministry advisory group, is having trouble coordinating views on the problem, the sources said.

The NTT rivals entered the Japanese telecommunications market after Nippon Telegraph and Telephone Public Corp., which held a monopoly in the field, was privatized in 1985.

Although they have already established their own long-distance networks, the rivals lack intracity systems.

Petroleum Council Reports on Supply Stability

OW2404090694 Tokyo THE SANSEI SHIMBUN in Japanese 27 Jun 94 pg 1-4

[Article by Petroleum Policy Basic Issues Subcommittee, Petroleum Committee, Petroleum Council, MITI: "Planning for an Optimal Balance Between Supply Stability and Efficiency"]

[Text] *The Petroleum Policy Basic Issues Subcommittee (Hiroshi Hata, chairman) of the Petroleum Committee of the [Ministry of International Trade and Industry] Petroleum Council released its midterm report, "Concerning the Optimal Supply of Petroleum Products," on 30 June. According to the report, petroleum is Japan's most important resource. A guaranteeing economic stability, and a strong petroleum industry at home is important in providing a stable supply. With this in view, the government has relaxed restrictions which apply during normal times to the production and sales of petroleum. Along with the globalization and restoring of the international petroleum market and growing demands that energy be supplied more efficiently, the report notes that Japan must move toward rearrangements in petroleum industry and toward greater reliance on the market principle while also reviewing the current system so as to reflect the optimal balance between stability of supply and efficiency.*

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1. Understanding the Petroleum Situation

Japan is almost entirely dependent on other countries, especially on the Middle East, for its supply of petroleum, its major source of energy. It will not be easy to reduce this level of reliance on Middle East petroleum. Nor can we discount the possibility that these supplies may be cut off in the future due to "unforeseen" circumstances. Thus, ensuring a stable petroleum supply continues to be the principle problem Japan faces with regard to energy security.

Ever since the first oil crisis, Japan has taken steps to ensure energy security. On the home front, these include measures to stockpile petroleum, promote energy conservation, and adopt substitute energy sources. On the international front, steps have been taken to strengthen Japan's relationship with oil-producing countries, especially in the Middle East, and to promote both the independent development of oil and an emergency response system in cooperation with the advanced oil consumer member-countries of the International Energy Agency (IEA). Such measures have had important results, and Japan now has an oil reserve that is large even by world standards.

In view of the circumstances, in their 1987 report, members of the Petroleum Policy Basic Issues Subcommittee noted the basic importance of entrusting the supply of petroleum under normal circumstances to the independent activities of the petroleum industry and the need for government to assist private sector activities during emergencies or under emergency-type situations in order to ensure a stable petroleum supply. Based on these recommendations, the government has relaxed restrictions under the Petroleum Business Law related to the production and sales of petroleum under normal circumstances.

As a result, the petroleum industry has the ability to respond flexibly both in terms of building up its facilities and its production activities and to respond appropriately and promptly to domestic supply and demand. Certain problems indicated by the subcommittee, however, remain. One of these is "establishing price levels that are comparable to international levels and internationalizing Japan's price-setting system." Another is "reducing costs by thoroughly rationalizing the distribution sector and developing technologically advanced petroleum facilities."

There is renewed concern about these two areas today, now that economic structural reform has become a pressing matter and there is a growing demand from consumers and businesses for more efficiency in the way energy is supplied.

The international environment for Japan's petroleum industry is also changing.

As we can see in the rapid development of spot and futures markets, the determination of petroleum prices is no longer a political matter, but has shifted to the market mechanism. Along with this shift, there has been a change in the way oil security is perceived by the international community.

The direction, according to the IEA, is one where "free and open trade contributes to ensuring energy stability and an efficient energy market." In conjunction with this view, the United States and Europe have already eased various restrictions on their respective markets.

The future course for Japan's petroleum market and petroleum industry must also be determined from a medium-and long-range perspective given this kind of globalization and maturing of the international oil market.

II. Appropriate Balance Between Stable and Efficient Petroleum Supply

A. Basic View

For Japan, which has almost no domestic oil source, petroleum is one of its most important resources in terms of ensuring economic stability. That a strong petroleum industry is important for Japan to achieve a stable supply is a view that will not basically change in the future.

However, as the trend toward economic globalization extends its reach to the trade in petroleum products, countries will not be able to achieve a stable supply through a "closed market," where the sole focus is on the balance between supply and demand on the domestic market. The time is approaching when Japan must broaden its horizons to include linkages with other economies, especially those of the Asia Pacific area, which is expected to see a high rate of economic growth.

Geographically, of course, Japan is not connected to any neighboring country. Nor is the Asia Pacific area on the way yet toward having a mature, regional economic bloc like NAFTA [North American Free Trade Agreement] or the European Union. It would be difficult therefore for Japan to seek exactly the same kind of measures to ensure its security as we see in parts of Europe and the Americas.

On the other hand, Japan's petroleum industry is developing dynamically on the international front, and it is possible, through such corporate activities, gradually to change the framework for ensuring the security of the Asia Pacific region as a whole. Nor will this kind of "revolution" be unrelated to our achieving an efficient domestic energy supply.

It is necessary, on the basis of this view, to have a policy that is directed toward carrying out the market principle on a global level, preparing the way for the internationalization of Japan's petroleum industry and, while considering ways to eliminate sudden, negative influences on the industry, to carry out effective system reforms so as to achieve the optimum balance between stable and efficient supply.

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Japan must also be mindful of the fact that various users on petroleum play an important role in structuring the difference in prices between domestic and foreign petroleum products.

B. Giving Fuller Play to the Market Principle

1. Expanding Petroleum Product Imports

a) Assessing Production Requirement for Importers

In order to ensure a stable supply of petroleum products, Japan's oil policy has been based on the principle of "consumption-site refining," where crude oil, which is relatively easy to obtain, is imported and then refined and made into petroleum products at domestic oil refineries to provide various energy sources.

The Provisional Measures for the Importation of Specified Petroleum Products Act was passed in 1985 to smooth the way for imports due to the growing demand for imported petroleum products. These measures, which were to be in force for 10 years, were intended to maintain and stabilize a system that would respond to changes in supply and demand by providing for a flexible choice between and combination of domestic refining and imported products.

These provisional measures have had the practical effect of stabilizing the petroleum supply while maintaining a balance in the different sorts of petroleum products that are available. They have also become one of the major obstacles to correcting Japan's price system, which has resulted in unruly gasoline prices and price gaps between domestic and foreign products.

These problems are due to a number of factors, including higher costs due to distribution- and security-related regulations, the stronger yen, and the establishment of oil prices in the past as part of the government's response to the first oil crises, but one of the results of the Provisional Measures Act, which limits importers to those with refining capabilities, has also been to stifle competition between domestic and imported products and to obstruct progress in reaching government objectives to correct Japan's price levels and price system.

Consumption-site, or domestic, refining is essentially a method of providing an economically efficient, stable petroleum supply, and we see no reason to expect that it will be any less important in the future.

Moreover, if we consider the necessity of trying to lower the "insurance premium" which citizens pay in order to ensure a stable oil supply or of furthering the market principle by introducing competition in the form of imported products and raising the efficiency of production, then Japan will have to consider the possibility that continuing to impose the obligation on importers of having alternative production capabilities is no longer appropriate.

Thus, it would be reasonable, if the following steps are taken with regard to stockpiling and quality, to let these provisional measures lapse when their effective term expires on March 1996.

b) Obligations of Petroleum Importing Agents

Even in the event that anyone is able to import petroleum products, regardless of whether the company is a domestic producer or importer, all suppliers should be equally responsible for ensuring a stable supply, even during critical times.

(i) Revising Oil Reserve System

With a view toward ensuring a stable supply of petroleum, Japan has put its energies into building a substantial oil stockpile and has succeeded in accumulating the largest such reserve of any country in the world.

However, the existing system was developed on the premise that a continuous, stable supply would be available through producers and importers who have refining facilities, and where the provisional measures mentioned earlier expire, steps should be taken to prepare the way for a greater number of importing agents to enter the field and for a way to distribute the responsibility for maintaining suitable reserves, even during emergency periods, among all producers and importers, even those without their own refining facilities. Thus, it is necessary to look into specific ways in which the Petroleum Reserve Act may need to be revised.

(ii) Revising System for Maintaining Quality of Petroleum Products

Even by world standards, Japan's petroleum products are considered to be of very high quality. For example, Japan was the first country to produce 100-percent unleaded gasoline. The sulfur content of its gas or light oil is also very low. For the most part, the reason is that, under the existing system, primary suppliers have, in fact, been limited to refining companies. In other words, high-quality petroleum products are being supplied to domestic markets, whether produced at home or imported, due to the voluntary efforts of refining companies, acting under administrative guidance rather than because of any specific legal mandates.

Adequate quality control, especially in areas related to the environment and safety, should exist at the final refining stage, particularly with regard to service stations (SS). Even with an increase in the number of import agents after the provisional law lapses, refiners and importers should bear certain responsibilities as primary suppliers, and it will be necessary to build an appropriate system of regulations where guarantees are possible with regard to quality control for gasoline, kerosene, and gas oils. The specifics of such a system will be studied in the future.

2. Promoting Efficient Distribution

a) Significance of Opening Market to More Petroleum Product Importers

Compared to other countries, the distribution industry in Japan is relatively costly and includes very few service

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stations. There is also a growing gap between the prices of foreign and domestic gasoline.

Rationalizing the distribution system is a very important consideration if Japan is to correct these price differences. A larger number of importers will create a new stage in the relationship between the service station sector, which will want more efficient supply sources, and refiners and wholesalers, who will be forced into more heated price competition. Nevertheless, this move can be expected to bring about more efficiency in the distribution system as a whole, including direct sales from producers to wholesalers.

b) Abolishing System of Designated Areas

Progress has been made in introducing the market principle to the construction of service stations by easing restrictions—for example, by doing away with transfer rules and administrative guidance with regard to the construction of filling stations and by reducing the number of designated areas for them. As a result, we have steadily seen a greater concentration of service stations as well as larger scale operations. Sales volume, however, is still only one-fourth that of the United States and one-half that of Europe. The cost per volume is also still relatively high. Thus, to correct the difference between domestic and foreign prices, even further rationalization is needed.

Given this perspective, it would be reasonable to reduce gradually the number of designated areas and eventually abolish the current system itself. A prominent aspect of this system of designated areas, which is based on the Volatile Oils Sales Act, is its tendency to limit competition.

c) Rationalizing the Operations of Service Stations

Because most service stations are small-scale businesses, they are not in the position where they can easily diversify their operations. To meet consumer needs, however, it is necessary to look aggressively into various measures to rationalize SS operations, including ways to promote communications and information, which will also be helpful during times of emergency.

At the same time, it is important for Japan to pursue ways to cut down on services, taking into account criticisms that services at the present time are excessive. In looking into the pros and cons of turning to self-service stations as a way of reducing services, it is important, from the perspective of oil policy, to consult fully with those in charge of security.

It is also necessary to consider steps that would allow changes, depending on the way that the rationalization of the distribution system is promoted, will have a negative impact on the operations of service stations, especially small-scale businesses, and a labor force of some 400,000 employees.

d) Reviewing Practice of Service Station Registration System

In considering the SS registration system, which is also based on the Volatile Oils Sales Act, Japan should aim for a more competitive market and for system flexibility and simplification by extending system reform to the distribution stage. The goals of system reform are to internationalize Japan's price system and price levels by expanding the field to include more petroleum product importers.

We can thus expect to see a more diversified field of petroleum product suppliers in the future and, in this regard, feel that service station registration is necessary as part of an effective quality control system for oil products. Such registrations will also contribute to the smooth transition to a system that guarantees the final consumer will have whatever oil supply is needed during emergency times.

3. Toward a Vital, Active Refinery Industry

It is important that Japan maintain a strong refining industry and for those in the industry to utilize their resources fully through competition, freeing their gaze as they do so on the broad, international market.

We can anticipate a tight market for petroleum products in the Asia Pacific region due to an increased demand for white oils, such as gas oils and gasoline, and it is hoped that Japan's petroleum industry, which has the top refining operations in Asia, will contribute aggressively by way of its exports toward the stabilization of supply and demand in this region.

It is important, from this perspective, that Japan plan ahead to prepare the proper export environment. Again, in order to contribute toward the further rationalization of the petroleum industry, it is important that the government investigate the possibility of relaxing restrictions, taking a broad look at those regulations which have to do with distribution and oil security.

C. Rethinking Japan's Petroleum Policy From a Medium- and Long-Range Perspective

Japan must work toward effecting an even stronger petroleum industry and move toward the kind of supply system for petroleum products just outlined. Such changes will signal a major turning point for the petroleum industry. Its best interests will be served by turning its energies toward the task of reforming the existing system and attempting through competition and the market principle to rationalize the price system for all petroleum products. The consumer, too, should fully understand the significance of such a reform.

For the government's part, it should endeavor to have the purport of this reform fully understood by consumers and, at the same time, pay adequate attention, not only to the price and supply-and-demand structure, but also

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to the effect that such changes will have on the petroleum industry and reassess its petroleum policy as needed.

The government should also reassess its petroleum policy on its entirety in five years, following the expiration of the Provisional Measures for the Importation of Specified Petroleum Products Act.

III. International Development of Petroleum Industry

In the past, with government policies giving priority to a stable oil supply for the domestic market, the petroleum industry has been concerned primarily with this market and its main emphasis outside of Japan has been on cooperating with oil-producing countries and independently developing its own supply of crude oil.

These activities are commendable from the perspective of ensuring a stable domestic petroleum supply. Cooperation with oil-producing countries is especially desirable from the point of view of helping these countries develop their economies and making sure that Japan has a steady supply of energy, and it is important that this type of cooperation continues to be promoted in the future.

At the same time, as economies become more global in scope, the petroleum industry has come to a point in its history where it will have to turn its sights to business opportunities on overseas markets.

The world's trade in petroleum products, particularly in Europe and the Americas, is being carried out through economic regional blocs. The Asia Pacific region, deemed the world's "growth center," on the other hand, while expected to see rapid economic growth and, in turn, an ever-growing demand for petroleum, may also be facing a tight oil market as the construction of new facilities slows down because of stagnating prices for petroleum products. By developing their operations in this region, Japan's petroleum companies may not only be building new cooperative relationships with Asian countries and oil-producing nations but also with other leading petroleum firms and can be expected to contribute in important ways to the development of a truly strong petroleum industry.

This in turn can be seen as an important link in ensuring a stable petroleum supply for the entire Asia Pacific region, which is also expected to develop as a regional economic bloc.

Roster of Participants, Petroleum Policy Basic Issues Subcommittee, Petroleum Committee, Petroleum Council

Chairman	Shunsuke Kondo	Chief Director, Japan Energy Economics Research Institute Inc. (Foundation)
Members	Fujihiro Fukushima	Senior Managing Director, Sumitomo Corporation Co., Ltd. (S.K. joint-stock corporation)
	Yuzo Kinoshita	Acting Director-President, Idemitsu Kosan Co., Ltd. (S.K.)
	Tsuneo Kitashima	Managing Director, Japan Automobile Federation (association)
	Masayoshi Kobayashi	Senior Managing Director, Nisshin Corp. (S.K.)
	Tadao Maeda	Commentator
	Hidetomo Nagano	Acting Director-President, Nippon Oil Co., Ltd. (S.K.)
	Kazuyoshi Okada	Acting Director-President, Cosmo Oil Co., Ltd. (S.K.)
	Ji Ro Oshi	Acting Director-President, Mitsubishi Sekiyu (S.K.)
	Tetsuo Sakamakura	Chairman, Japan Automobile Federation (association)
	Kazutaka Sugawara	Managing Director, Mitsubishi Corp. (S.K.)
	Tetsuichi Sumitomo	Managing Director, Mitsui & Co., Ltd. (S.K.)
	Kazuichi Tagawa	Acting Director-President, Koa Oil (S.K.)
	Shosaku Tanaka	Commentator
	Toshiyuki Tsuzuki	Vice Chairman, Electric Enterprises Federation
	Katsuhiko Yamaguchi	Managing Director, NISSHO IWAI CORPORATION (S.K.)
	Mamoru Yoki	Acting Director-President, Yukiroku Co. (S.K.)
	Yuzuru Yoro Tajima	Chief Director, Ryutsu Keizai Research Institute
	Tomohiko Tamaguchi	Acting Director-President, Toyo Corp. (S.K.)
	Ryosuke Tsuruzaki	Acting Director-President, Showa Shell Sekiyu (S.K.)
	Isao Nakajima	Professor, Hitotsubashi University
	Yoshiyuki Nakashima	Acting Director-President, Taiyo Corp. (S.K.)
	Kazushige Nagashima	Acting Director-President, Japan Energy (S.K.)
	Michiyuki Hayama	Acting Director-President, Hayama (S.K.)

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Roster of Participants, Premature Policy Basic Issues Subcommittee, Petroleum Committee, Petroleum Council (Continued)

Members

[illegible] Harada — Managing Director, National Federation of Agricultural Cooperative Associations

Yoshihiro Hiwatari — Director, Japan Federation of Life Cooperative Associations

[illegible] Matsui — Vice Chairman, President's Office, [illegible] (N.K.K.)

Hiroshi Shiina — Managing Editor-in-Chief, Editorial Department, ASAHI SHIMBUN (A.S.)

Hiromasa Yoshimago — Central Executive Council Chairman, Japan Confederation of Petroleum Industry Workers' Unions

Kohei Yamada — Acting Director/President, Mitsubishi Oil Co., Ltd. (M.O.)

Petroleum Commission Chairman — Ryoichi Hashimoto — Chairman, New Energy Foundation, Inc. (foundation)

Note: From the third session, Seiko Kuniyasu served as an alternate for Hiromi Arisawa and Hiromichi Nakahara as alternate for Tomohiko [illegible].

* Kunioki Ohmae Urges Reform of Bureaucracy

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[Article by Kunioki Ohmae, chairman, Heisei Restoration Group]

[Text] **Changing Government Agencies for New Ones**

What urgently needs attending to is a major revamping of Japan's central bureaucracy. Far from ensuring a world-class quality of life for individuals, the bureaucratic system, if left as it is, will be the source of increasing unhappiness for the Japanese people. The current "bureaucratic dictatorship" is a violation of principles seen in our Constitution; namely, the sovereignty of the people and their right to local self-government.

If I were to summarize the main points of my own recommendations for reform, the first would be to change our orientation toward government regulations. Rather than relaxing regulations as an exception to practice to the general rule, I would move toward liberalizing our market system. Under this general principle, I would then create a new set of regulations where major abuses might occur. With certain exceptions, such a principle for the most part would pose no problems when we consider the 13,000 regulatory items now on the books.

Another recommendation I would make is to transfer the basic initiative for industrial and employment policies from the central government to local self-governing bodies. Abuses have emerged in the past because of the close relationship between centralized authority and the bureaucratic system. I would transfer most of the authority that the central government now has to local governments, making regional districts, *dosho*, the administrative unit for such local governing bodies. Under the combined system of proportional representation and single-seat electoral districts, there will be 11 such regional blocs. I would recommend creating regional assemblies for each of these blocs and transfer many of the functions now carried out by the central government to them. It would be a good idea, of course, to set up a period for this transition to occur, during which these district governments will run the regional offices of the ministries and central agencies located in Tokyo. The main point here is to create relatively large districts and for regions to begin governing themselves as autonomous units.

The central government would then function in three specific areas—foreign relations, fiscal matters, and national security—with a national planning ministry to determine broad policy directions for the country and, to represent the average citizen, a ministry of national life, which would be concerned with the living standards of the people. At present, state and even regional functions are placed in a collection of ministries and central agencies. What happens in terms of the daily lives of individuals is all part of this complicated network. What is needed then is a ministry whose function is to look after the welfare of the individual, giving priority to his interests rather than the interests of the state. For example, even though land prices are still in danger of falling sharply, if attempts are made to re-stimulate the economy and a flood of home loans is made available to buyers, today's generation of young adults will have to bear the consequences for the rest of their lives. What is needed at such times is someone to speak out on behalf of the average citizen, sounding the warning that "what a certain agency is doing is a national crime in terms of the impact its actions will have on the welfare of the individual."

With the present vertically structured administration, when the economy isn't doing well, some bureaucrat will come up with the idea for an economic-stimulus measure that will pour money into the building of high-speed roadways in remote, sparsely populated areas of the country. At the same time, the Ministry of Finance will be saying it expects a shortfall in government revenue unless there is a 10 percent consumption tax. We citizens have no idea whether such policies are good or bad and, at such times, need bureaucrats who will debate such issues from our perspective.

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"What will become of the state?" "What will become of us as individuals?" Two questions of this sort, these two motivations—one to look at things from the perspective of the nation as a whole and the other, from the individual's perspective—will play very important roles.

It would be sufficient, in addition to these two motivations, if we also had a central bank, meteorological agency, communications and information base, an police and other such services.

The only things I would have set on the national level are certain standards. Standards should be uniform in certain areas. For example, it would be silly for each regional district to come up with a different standard for gas and electricity. If there is a need for long- or medium-term food provisions, a procurement corporation could be formed under the joint cooperation of the different regional districts. Education, too, would be liberalized. Although certain standards should be set, I would leave it up to each regional district to put together its own curriculum.

It is sufficient for the state to do only what is provided for in the Constitution: namely, guaranteeing citizens the minimum required to live adequately as human beings and contributing to world peace while gaining the respect of the world community.

Even at Regional District Level G-7 Participation is Possible

Why be so persistent in advocating regional districts? If we take a look at the national capital region (which encompasses Tokyo and its three surrounding prefectures), we see that its GNP is larger than France's GNP. Likewise, the Kansai [Kyoto-Osaka] district, with its population of 22 million people, has a GNP of $550 billion, which is larger than Canada's. In other words, even though we can imagine these regional districts participating in the G-7 based on their GNP's, the central government still determines everything for them, much to their disadvantage. A centralized form of government did not work for large countries like China and the former Soviet Union, and they essentially became a collection of regional states. India and Canada are rapidly moving in a similar direction. In the United States, each state has the right of self-government, so Americans have all but been spared debates about the nature of the "ideal state."

Japan is a major centralized state that has no precedent anywhere in the world. The harmful effects of such a system make their appearance in every aspect of daily life. For example, Tokyo cannot even build a single garbage incinerator on its own. If it wants to bury its garbage in Tokyo Bay, it needs the approval of the Ministry of Transportation. It has to bury its garbage, but can't find land to build an incinerator. If someone comes up with the idea of building it somewhere in the ocean, the ministry opposes the idea, saying such an incinerator would be considered a ship or sailing vessel. Even if city officials argue that it doesn't move, so it is not a ship, the ministry counters by saying it is in the ocean, so it will be treated as a ship. Then, when the city decides to proceed and apply for a ship permit, it is told that only paper and wood can be burned aboard a ship. Since Tokyo's trash includes a lot of plastic, the permit is denied. The question here is: "Where does the state get the authority to intervene in this way?"

To give another example, Osaka cannot build housing for foreigners in Sakaminato. According to the Ministry of Construction, the city was given approval to develop the area for low-income housing and it cannot change its plans and develop housing for foreigners there. Although the governor petitioned the state repeatedly, his request was turned down each time. When foreign companies move into [nearby] Rinkuu Town, they will all have to look for housing across the shore in Kobe. Even though the land in Sakaminato has been excavated for construction, Osaka cannot build what it had hoped would be a "window" to the Pacific, nor the housing it had planned to build there for foreigners.

To what degree is the central government closing the road for the independent development of local districts? To what degree has it become dysfunctional? How far has a gutted form can even like unions and even local industrial policies? Just these two examples clearly tell the story. Therefore, I would say [illegible] policy up to the different regional districts.

One further point I would like to make is regional district system is not the same thing as [illegible] It is local self-government and [illegible] form of government. Decentralization, on the other hand, means the central government is willing to share a little of its authority; regional governments are not the main actors. In a regional district system, those areas which state organs are responsible for will be handled on the local / district level.

There are probably various arguments against a regional district system. First of all, people will ask: will such a system work politically and economically? To take the case of the smallest of Japan's proportional blocs, let's assume that Okinawa will be grouped together with Kyushu and thus become part of Shikoku. Shikoku's GNP would place it 60th among the world's 160 countries. In other words, 120 countries are smaller than Shikoku. Within OECD's elite club of advanced nations, the smallest country is Iceland, which has a population of 250,000. Since a country like Iceland can hold its own among the other countries of the world, there is no reason to expect differently from Shikoku.

Critics also fear that regional differences will emerge with such a system. If free competition is our working premise, then it is only natural that such differences will occur. In some areas, industry may decline and there may be many unemployed workers. In other areas, industry may flourish and there may be close to full employment. Such regional differences are unavoidable

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But if we look at what happens next, we see a different story. Prosperous areas will start having higher wages and little mobility in their work force. The industrial environment will stagnate, leaving older industries with the upper hand, and no new industries will develop. On the other hand, industry-poor areas will be environmentally good places to live. Foreign enterprisers and companies situated in industrially thriving areas will next start building factories here, taking advantage of the high unemployment rates and low wages that characterize these poorly developed regions. In the end, say within a decade, there will not be such wide gaps among the different regional districts. Germany illustrates this point. Baden-Wurttemberg, once considered West Germany's poorest state, is now its most flourishing region. The handiwork of the gods may not be apparent in one or two years, but in five or 10 years the results will begin to show.

Still another question people have is whether certain regions will attract more workers than others, thus creating an imbalance in available human resources. I would answer by saying that human resources are like capital. They will go where interesting business opportunities exist. In the United States, for example, we see people who are fed up with New York escaping to the Silicon Valley in California or to the mountains of Colorado. The more qualified and talented people are, the more they seek new opportunities. By staying on the East Coast, one has fewer such opportunities. Americans will quickly pack their bags if there is a business or career opportunity elsewhere. That is the reason that world-class firms in technology and the communications industry have emerged one after the other in cities like Houston, Austin, Fort Worth, and Denver.

Even Tokyo's elite bureaucrats may find it more interesting to move to Hokkaido or Kyushu where they can concern themselves with running these areas to a world-class footing rather than fussing about the wording of some administrative document in Tokyo.

From Sovereignty of the State to Sovereignty of the People

The world is dominated today by the three C's—capital, consumers, and corporations. Like a trigger, the fourth C, communications, has made it possible for them to transcend national boundaries.

Communications ignores national borders. Thus, even though consumers were falsely told by government officials that imported rice would taste bad, they were able to find out for themselves that American rice and Australian rice were, in fact, pretty good. Similarly with beef. Word spread that foreign beef was not only tasty but cheaper. The power of information transcends national borders. Thus, in the communications age, we will see the waning of state and military authority and the rise of global entrepreneurs, more and more consumers who are knowledgeable about the world, and the growth and expansion of the world's capital markets.

In the future, central governments will be ruled and managed by these three players. The shift from what I call "the sovereignty of the state to the sovereignty of the people" refers to a shift in paradigms for this Heisei era. The key to this shift is held by local and regional governments. As long as the central government doesn't stand in the way of progress, this shift should proceed smoothly.

In France, during the administration of President Giscard d'Estaing, many large corporations were nationalized, losing their ability to succeed on a global scale. When enterprisers were nationalized in Italy, they too were left behind by their world competitors. Germany, which did not nationalize its industries, on the other hand, is doing well. By privatizing almost all of its state-run enterprisers, England too has made a comeback. If Tokyo keeps on determining the fate of Kyushu, the hurdles at the local level will keep getting heavier and, in turn, so will the troubles of the central government in Tokyo. Based on my philosophy about changing paradigms, I would limit what the government does. Few things that can better be done centrally. I would call agencies local organs of government rather than state agencies. Otherwise, local governments will continue to petition "the state" to have things done and will never get away from their reliance on the state, nor stop complaining about what, if anything, the state is doing. What the state has been doing so far I would have done on the regional district level. Without such changes, the 21st century will see Japan a generally unhappy country.

The Age of the Bureaucrat

Looking back through history, we see that there was a time when Japan's bureaucracy was doing good work. From the end of World War II—from the poverty of those years when Japan's per capita GNP was $300—through the next 20 years, Japan's national poverty was once again to become a rich and prosperous country. We were told to be patient and persevere until we could build up our industries and create a prosperous society. Only then, we were told, could this wealth be passed on to us. It was a persuasive and effective argument. Telling us "poor people eat barley," then Prime Minister Hayato Ikeda put policies into effect that gave priority to Japan's industries, and as a result, salaries rose every year and the government was able to make the people rich. The people actually felt that life had gotten better. This was one of the achievements of Japan's politicians and bureaucrats. They had made good on their pledge. Having asked the people be patient and have faith in their policies, they not only made the country prosperous and rich but also, as promised, had this wealth filter down to the people.

Then, from around 1970, conditions started to change. The per capital GNP had risen above the $10,000 level. But something strange began to happen to people's lives. The average commute time first grew from 45 minutes to one hour and then to an hour and a half. Moreover,

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construction facilities were now operating at 200 percent of capacity, up from 180 percent capacity. Nor was it easy to find affordable housing. Salaries were rising, but so was the average workload. The yen also grew stronger against other currencies. And before one knew it, the per capita GNP was at $30,000. No other country in the world could point to this kind of growth. Japan became an economic superpower, but in the past decade, the life of the average citizen has not shown the slightest improvement. In fact, it has gotten worse. The only visible areas of improvement have been in public facilities and commercial buildings.

The creator of this situation is the postwar "Showa bureaucracy." It is constantly extending its hand to the weak—weak industries, weak regions, weak individuals—and when the bubble burst, to weakened financial institutions. It supports decaying industries. It installs layer upon layer of safety nets, and the social cost continues to rise. The bureaucracy rescues losers to the hilt and is proud of itself for doing so. But when it rescues these losers (companies, individuals, or regions), government should not go any further than the guarantees provided in the Constitution, namely, those for a minimum level of adequacy. Excessive guarantees will weaken the individual's will to work as well as his sense of self-reliance and self-responsibility.

If the "Showa policy" takes precedence at times such as these, world mechanisms like the so-called capital market mechanism will cease to function. And in fact, capital is flowing from Japan to go into Hong Kong and China.

On the other hand, some 600 trillion yen is being kept in savings accounts, earning only 1.85 percent in interest. Still, because the government's priority is rescuing Japan's troubled financial institutions, no one is trying to raise these rates. This has given rise to a deepening sense that businesses are in a recession, and more and more distortions are appearing in the economy.

The Showa bureaucracy keeps posing the same question. "Would it be all right," officials ask, "for banks to go under? What if there's a panic?" There will be no panic if we have learned our lessons from 1929. If banks do go under, it will be for a reason, and those that are competitive will survive. Based on the market principle, interest rates will then go up. There will be no need to keep interest rates all the same. We must change to the kind of system that gives us options and choices.

Having forced these super-low interest rates on us, the bureaucracy is now putting its hands in our pockets, saying the government is short of revenue and wants higher taxes. This is typical of the Showa bureaucrats' logic. If there is a shortage of revenue, then they should cut these budget expenditures. But this is something they will never try to do.

Much attention has been focused on this kind of abuse since the Doko report. But the situation has kept getting worse. Why? Because today's bureaucrats have no large vision or dream. They have failed to map out a vision of where this country should be headed. Instead, their priority is to show their authority. Measures of that authority are the size of their staff, how much of a budget they get, how many bills they get passed or how many projects they are undertaking, and when it comes time to retire and "descend from heaven" [amakudari], how many job offers they receive. In other words, they are naturally taken up with criteria that have no connection to their raison d'etre as public officials. It is as though these bureaucrats were aggressively at work producing the script for the unhappiness and misfortunes of the Japanese people.

No one—neither government officials nor administrators—is taking responsibility for the bubble economy now that it has collapsed. Japan's financial institutions have all survived. But if they appear to be on the verge of collapse, the Showa bureaucrat is ready to work on their behalf so that no bank goes under. It is no wonder that strange things are happening to Japan's industries. The only moral code of capitalism and liberalism tells us that the fear of going under should keep us from drowning (agreed water [i.e., we mustn't get soft and rely on others if we want to survive]). We should think a little about the aftereffects (the moral hazard) that results from not following this code.

Without any doubt, the iron triangle formed by government, the bureaucracy, and businesses played a very important role in Japan's postwar recovery. But that triangle is now turning into a lethal weapon. It is a weapon that has been responsible for a series of state crimes against the people and their well-being.

There is only one way to stop this trend. We must change the bureaucratic system from its very core.

An Intellectual Revolution: Wiping the Slate Clean and Starting Over

That method also means tearing down the current system and starting all over. Incremental changes aimed at a gradual make-over will not work. Like blood types, you can't gradually add Type B to Type A and hope somehow to come out with Type B. A rejection reaction will set in, and the patient will fall seriously ill. As proof, I offer the fact that every administrative reform council since the provisional administrative committee chaired by Toshio Doko [in 1981] has only added to the absolute power of the bureaucracy. To change this situation, the basic administrative tools of government have to be changed.

Successful in effecting such changes recently are [Margaret] Thatcher and [Ronald] Reagan. The United States is essentially a country with few regulations. But where formerly 27 percent of the U.S. GNP was subject to some form of regulation, that ratio was reduced to 20 percent and even further under Reaganomics to the point where

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only 7 percent of the U.S. GNP was subject to regulations or approvals. In other words, the United States is the kind of society where 93 percent of its GNP is determined through the market mechanism.

The market mechanism is said to cast aside the weak. But—to take the case of workers laid off by General Motors or IBM—it actually contributes to the job pool. Since the Reagan administration, large corporations have hired or laid off some 4 million workers. Some 20 million new jobs, however, have also been created. In our follow-up surveys, we did not find a single case where a worker who had left a large corporation was still unemployed. Invariably, they had formed a company with two or three of their friends. They had seized new business opportunities created through deregulation.

Reagan's method was to proceed quickly. To deregulate markets from a 20 percent starting point one can't proceed slowly. His changes amounted to a kind of bloodless revolution.

The same can be said about Prime Minister Thatcher. As soon as she took office, she and Reagan seemed to be tuned in to the same wave length. Her Big Bang was to deregulate the securities market. At the time, old industries vanished, and England was peering down into a terribly bloody pool. But during these past three years, it has experienced the highest growth rate in all of Europe. Of the industries that survived, many are the industries of the future, as in the case of communications and biotechnology. There is no denying that one financial institution after another went down. But those that survived, like National Westminster, were able to expand their operations to the United States and are among the top-ranking banks in the State of New York.

What I am referring to is not a Marxist revolution or a coup d'etat aimed at overthrowing the Establishment. It is an intellectual revolution to create a new order by starting all over. It is like the Meiji Restoration, which cleared out the old Tokugawa system of government to create something new. At that time, too, there was confusion and disorder. But 10 years later, the country had already begun running in an entirely new direction. Even if all the cracks in the Tokugawa government had been repaired and mended, it still wouldn't have led us into the Meiji era. Because we were drawing something new on fresh canvas, no matter how bungling our attempts, our painting had vitality and force.

[Former President George] Bush was put in a very difficult position because it took 12 years before Reagan's policy began showing results. [Prime Minister John] Major is also having a hard time. But in another four or five years, when the star students of the 1980's (Korea, Japan, Switzerland, and Germany) are caught up in the fury of the coming storm, England and the United States will have come safely out of the Big Bang. This is one of the major differences between these countries.

"Living Room Democracy" Isn't Enough

The bureaucracy in Japan will never reform itself. So reform will have to come from the government. It was tried, but neither the Liberal Democratic Party nor [Prime Minister Morihiro] Hosokawa was successful. Their approach was wrong. To succeed, reformers must have a vision of what they want Japan to become and faith that it will be good for both Japan and the world. Courage comes from having such a vision and from believing in it.

The reason politicians have failed so far is that they haven't understood their responsibilities. Hosokawa left deregulation up to the bureaucrats. This was like deciding to hang a bell around the cat's neck and asking it to choose the bell. His plans were doomed to failure from the moment he made that decision.

Reform will not succeed unless you have politicians who understand the situation and have vision and faith as well as courage. The only way to succeed is for politicians to take the initiative and for change in the way the country is run to come from legislators and the legislative body.

One-third of Japan's legislators are former bureaucrats and are supposedly old hands from their days as bureaucrats in getting legislation passed. But as politicians, hardly any of them have successfully seen a bill submitted by a Diet member [as opposed to one submitted by the government] passed by the legislature. It's useless, they say. Is it any wonder then that we began wondering whether they became Diet members just to advocate the interests of the bureaucracy?"

Citizens, too, have been derelict in their duties. More than anyone else, they have been paying the bill for Japan's 40-year-long prosperity. Yet, when Hosokawa appeared to bury the Liberal Democratic Party, these citizens were satisfied and took to their armchairs to watch TV. By watching "The Sunday Project" they think Japan will change. I call this "living room democracy."

Now, these same viewers are angry. They accuse Hosokawa of giving up, of being a coward. But if they are unhappy with the situation, they have only themselves to blame. They lacked the insight to see things clearly from the very beginning. Rather than having learned from their mistakes, they try to leave every thing up to someone else. They, rather than Hosokawa, are the ones who gave up. It goes against all reason to believe it was the "will of heaven" for the head of a fifth party to become prime minister. I screamed loudly to the media about this "abnormal" situation, but surprisingly, many people just kept quiet. People were not in the right "mood" to hear such things, I was told. And, in fact, when the new prime minister was chosen, polls showed as many as 90 percent of the people expected a "change." In other words, society is still organized in such a way that it is heavily influenced by whatever "mood" the mass media create.

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Democracy is something people have to fight for in order to have. But the Japanese lack that training and experience. When Perry came to Japan and demanded that it open its doors to the West, Japan resigned itself to opening its doors. When MacArthur came, occupation forces left Japan with a "peace constitution." These are all fine things, but the Japanese have not had to fight for them.

For sovereignty to reside in the people, we must change the basic paradigm that gives precedence to the sovereignty of the state. As I have said, this is tantamount to a revolution. But revolutions require people to be prepared for a certain amount of sacrifice. We are making a big mistake if we think change will occur, or that we can restructure our political world, just by changing our cast of players or our political groupings. Democracy is not something we can achieve without going out and fighting for it. Nothing will change if we stay in our living rooms. Nor will anything change just by our demanding change from the government or by complaining to our bureaucratic officials.

Our sweat and tears are needed. The "sovereignty of the people" is not handed down to us from heaven. To think so is the start of our problems. We will not have changed at all if we think this way. The Constitution refers to local self-government and the sovereignty of the people. But those are no more than imported, American concepts. The words are right. Only the root of the problem is much deeper, since government is still being run in the same way (with regard to the budget and the way the administration is setup) as it was before the war.

People do not want to hear that they have to participate or contribute their sweat and tears. They say, "What you're doing, Mr. Ohmae, is good. We support you." But they remain bystanders. There's a living room democracy. Judging from the babble, I can summarize their response thus: "That guy is willing to give up a yearly salary of 300 million yen for us. He's eccentric. That's why he wants to do it. Basically, isn't it because he wants power?" Still, there is a significant number of people who are willing to stand up and vote, and are giving me the energy to continue. To change the existing paradigm, however, we are still far short of having the kind of citizen participation that is needed.

If the situation continues as it is, the lives of the Japanese people are certain to get worse. It may be all right for people who crossed the River Styx while the economy was still doing well, but for the younger generation and for our children, there is no hope. Well-educated and trained by the Ministry of Education, our youngsters are taught from a young age not to rebel. For 20 years they are taught to accept what hand fate deals them without question. The same applies to the training they get from their parents. As children, they are raised not to take risks. Rather than trying to understand the importance of social reform or the importance of Japan's future or of democracy, they are preoccupied with getting accepted to a good school, getting into a good company, and leading a good life. Though they were vaguely aware that the last one, a "good life," was not necessarily attainable by just going to a good school or working for a good company, they are now shocked at realizing their fears were not entirely unfounded.

Perhaps my anger only strikes others as quixotic. But when we think about Japan's future, it seems we have no other choice but to undertake the Heisei restoration. Revolutions are not merely meant to destroy. They also build and without this constructive element are meaningless. To build, a vision is necessary. During the transitional period, some confusion is inevitable. But aiming at the year 2000, the Heisei restoration is intended to be accomplished over a 10-year period. I would like to continue working for the day when the majority of the Japanese are convinced of [the rightness of such a revolution] and the nations of the world look again at Japan with respect.

North Korea

U.S. 'Aggressive' Conduct 'Aerial Espionage'

SK1109084394 Pyongyang KCNA in English 0810 GMT 1 Sep 94

[Text] Pyongyang, September 1 (KCNA)—The U.S. aggressors incessantly carried out aerial espionage on the northern half of Korea on August, too, by mobilizing various types of reconnaissance planes, according to military sources.

The flights made for espionage had numbered more than 200 by August 30.

The U.S. aggressor aggressors on August 30 let a high-altitude strategic reconnaissance plane U-2 make a long-hour shuttle flight along the Military Demarcation Line from the sky above the West Sea of Korea west of the Songo peninsula to the sky above the East Sea of Korea east of Sokcho, making photographic and electronic reconnaissance on the targets in the strategic depths of the North.

The espionage by the U-2 totaled 32 cases in August alone as of the 30th.

Commentary Claims ROK Suppressing Students

SK1109140894 Pyongyang Korean Central Broadcasting Network in Korean 1222 GMT 09 Sep 94

[Commentary by Yun Pyong-son: "Repression Can Never Be a Way Out"]

[Text] The Kim Young-sam fascist clique is further stepping up suppression of the patriotic and democratic forces by raising the piercing wind of new security-oriented rule.

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According to reports, traitor Kim Young-sam has recently branded the activities of the devotees of the chuche idea as a so-called all-out challenge to the democratic system. He barked that he will never allow such an act and will root out the devotees with all possible law enforcement.

According to this, all the repressive machines—including the Agency for National Security Planning, a hotbed of conspiracy and prosecution, and police—are mobilized, and outrages such as arrests, detentions, and searches of patriotic students are brutally committed across South Korea.

Not long ago, the fascist clique arrested three students of the Yonsan branch of the Hankuk University of Foreign Studies on the charge of violating the National Security Law, claiming that it uncovered the Society for the Study of the Chuche Idea, an organization of the Chuche Idea Faction. The head of the organization is also wanted by police.

The fascist clique is clinging to all sorts means in order to repress the devotees of the chuche idea. This can be clearly seen from the fact that the fascist clique bribed human trash Pak Hong with a bundle of currency to make bleed-up remarks and, in the wake of this, drove the entire South Korea into the whirlpool of repression.

Along with this, the Kim Young-sam group is continuing to wield the swords on the patriotic students, claiming that the 99 incidents involving posters, leaflets, and setting up of an incense-burning altar regarding the nation's unfortunate event have taken place at 43 universities and the offices of four organizations, including the South Korean Federation of General Student Councils.

The fascist clique on 28 August arrested the president of the Ulsan University Student Council and others for putting up posters cherishing the memory of the nation's father at the university bulletin, charging that they violated the National Security Law. This is only a clear example.

Such brutal repressive campaign committed on the progressive students are unpardonable criminal acts that can only be carried out by an ignorant fascist tyrant such as Kim Young-sam.

As everyone knows well, the chuche idea is the great guiding idea of the era of independence. It caught the hearts of the millions of people in the world as it indicates the path of the liberation of the human being and the nation, and the people are finding a way out with the chuche idea. It has become a worldwide trend to study the chuche idea and become common to any country. But only in South Korea, the chuche idea has been treated as a crime and has become a subject of repression.

This shows that South Korea is a fascist and reclusive society that does not exist anywhere in the world and that the Kim Young-sam group is a fascist dictator more vicious than any other notorious fascist dictator.

Kim Young-sam is, so to speak, an illiterate who does not have philosophy and knows nothing about politics. The only thing he knows about is betrayal, treachery, and wielding the swords on the people. Nay, having the case, he regards repression as contemporary and continuously wields the sword.

The Kim Young-sam group is running amok in the fascist suppression to repress by all means the patriotic democratic forces, including the devotees of the chuche idea, and to maintain its disintegrating power. However, this is nothing but a last-ditch struggle by one who faces death.

The National Association of Professors for Democracy of South Korea has recently issued a statement denouncing the Kim Young-sam group's repressive campaign. In the statement, the association denounced that the extreme anti-communist whirlwind is aimed at reversing the historical trend toward democracy and reunification. It further pointed out that the reactionary political situation dominated by the neo-security rule in South Korea has been stemmed from the present regime's limitation.

As everyone can see, the people clearly see the painful situation of the Kim Young-sam regime, which struggles in despair from the fascist group's barbarous neo-security rule.

As the fate of Yi Sung-man and Pak Chong-hee—who met the tragic end while running amok in repressing the people—shows, the fascist repression can never be a way out, but, on the contrary, it will lay an obstacle. The fate of the Kim Young-sam group, that sustains its life by swelling the sword, will not be different.

DPRK Efforts for Chairmanship of WTO Denounced

SK0109105196 Pyongyang KCNA in English 1038 GMT 1 Sep 96

[Text] Pyongyang, September 1 (KCNA)—The South Korean rulers are now persistently trying to get the post of general director of the World Trade Organization [WTO] which is expected to replace the General Agreement on Tariffs and Trade (GATT).

Openly claiming this seat, they went even "notes" to other nations, in which they made free with the jargon that South Korea is "on the threshold of an industrialized nation" and is "a major trade nation." On the other hand, the puppets are displaying feverish activities to drum up "support" to this.

This is, indeed, an obtrusive and impudent act of the puppets who have no sense of humor and are unaware of their position.

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It is obvious that these ridiculous acts will invite criticism and ridicule of unlearned opinion. But their act is so persistent that we cannot but make a comment on it.

The South Korean rulers styled South Korea "an underdeveloped nation" and "a trade nation" to get it the qualification of general directorship of the world trade organization. But it is needless to say that their advertisement is a lie.

South Korea suffered a trade deficit of ten billion dollars with Japan and 357 million dollars with the United States in the first half of the year. It has also recorded a huge trade gap with other nations. Its foreign debts have run into several dozen billion dollars.

Worse still, the South Korean economy today is running downhill to a total bankruptcy under the colonial economic dependence policy and the colonial export-oriented policy pursued by the Kim Yong-sam group. The economy was so deplorable that the South Korean magazine WOLGAN CHEONGANG said: "It is a mudfish economy. It made haste to become a dragon only to find itself reduced to an earthworm."

The puppets transferred economic sovereignty to their master and increased the colonial dependence of the South Korean economy by opening the rice market. Now the South Korean economy is saddled with liabilities debts which cannot be paid any time and has been turned into "a mudfish economy" and "soap bubble economy" which cannot operate properly on its own feet.

Forgetful of this poor position, the puppets are casting a covetous eye to the responsible post of the World Trade Organization, crying that they "will strengthen the world free trade system," if they are given that post. What an unnerving sight it is!

Not much penetration is needed to see that, in their hectic drive for the post of the general director, lest to shame, making themselves a laughing stock, the puppets seek to improve, if only a little, the seriously marred image of South Korea with its colonial dependent economy facing a total bankruptcy, and obstruct the foreign trade of the North by abusing that responsible post. But this is a foolish dream.

The Kim Yong-sam group has become a target of overthrow, utterly forsaken by the people, branded by them as a group of traitors and fascist warmongers. It is an insult to the World Trade Organization for it to try to become its general director.

The South Korean rulers should act with discretion, clearly mindful of its position.

Kyongu's Pronouncement Urges Independence of DPRK

SK0109010094 Pyongyang KCNA in English 1000 GMT 1 Sep 94

[Text] Pyongyang, September 1 (KCNA)—The European regional headquarters of the National Alliance for the Country's Reunification (Pomminnyon) contributed an article titled "Banner of Our Time" to the "Motherland Is One" no. 8, a magazine published by Koreans in Germany.

The article says that Kim Yong-sam had taken hostile steps against the North and, furthermore, committed such most heinous crime as severely pounding mourning over President Kim Il-song at a time when even the U.S. President Clinton expressed condolences and international organizations including the United Nations and more than 160 countries expressed condolences over his death.

Noting that the consequences of the dependence of South Korea are very grave, the article stresses the redependence of the South Korean society is the vital and fundamental task of the Korean nation.

Japan's Attempts for UNSC Membership Denounced

SK0109010094 Pyongyang Korean Central Broadcasting Network in Korean 1225 GMT 31 Aug 94

[Commentary by Yun Pyong-son: "Unbecoming Behavior"]

[Text] Nowadays, the Japanese authorities are engaged in many unbecoming acts, not knowing how to behave properly. This can be seen by the fact that Japan has not disguised its ambition to become a political power, while standing by its opinion that it should be made a permanent member of the UN Security Council [SC].

According to a news report, in a recent news conference, (Kamibiko Saito), vice foreign minister of Japan, said there was no change in Japan's stand concerning its becoming a permanent member of the UN Security Council. Former Japanese Prime Minister Hata also clamored that it was high time to realize that Japan has a responsibility to play a role in the international community.

Meanwhile, there have been voices stressing Some countries call upon Japan to become a permanent member. Japan should not shirk its responsibility in the international community.

Under these circumstances, the Japanese authorities will reportedly make clear—through a speech at this year's UN General Assembly—their intention to become a permanent member of the UN Security Council.

Such a move by the Japanese authorities clearly shows that they are engaged in a busy act to become a permanent member of the UN Security Council. This is really a preposterous act that is unbecoming.

The United Nations is an international body, whose basic mission is to guarantee world peace and security. The Security Council is the most important organization of the United Nations. Therefore, if one is to become a

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permanent member of this organization, one should be qualified and should be trusted by the international community.

This notwithstanding, Japan has no such qualifications, nor is trusted by the world's people.

As everybody knows, in the past, Japan committed a folkway by invading Asian countries, including Korea, and inflicting large misfortune and pain on the people of those countries.

Today, people do not forget, but are grinding their teeth with indignation at the abominable brutalities crimes the Japanese imperialists committed everywhere in Asia in the past. Until today, when almost half a century has passed since Japan was defeated in World War II, Japan has not yet sincerely reflected upon its criminal past.

Among the war criminal countries, Japan is the only country that has not yet liquidated its past. Japan, which has inherited its criminal past intact, has no reason [cheryeon], nor qualification, to stress that it will become a permanent member.

Moreover, today's Japan is trying to repeat its criminal past, while accelerating its nuclear armaments and its ambition to become a military power, and hurrying up the dispatch of its Self-Defense Forces abroad. In view of such an ambition of the Japanese authorities and of their accelerated maneuverings to become a military power, Japan has been turned into a dangerous hotbed of war in Asia.

Because of this, Japan is guarded against by people at home and abroad, and is not trusted in the international community, either.

It is presumptuous for Japan, which is neither qualified, nor trusted, to date covet the seat of a permanent member of the UN Security Council. This only exposes their political and moralistic (?maladroitness), as well as their aggressive nature.

The Japanese authorities are clamoring about someone's call, or about their responsibility and role in the international community. This is a nonsense designed to obtain the seat of a permanent member by misleading public opinion and creating a favorable atmosphere.

Many countries in the world do not believe such a nonsense made by the Japanese authorities, nor do they welcome Japan becoming a permanent member.

The Japanese authorities are fretting themselves about, and are struggling hard for, taking up the seat of a permanent member. There inner thought lies in trying to set atop the seat of a permanent member and controlling, with a loud voice, the world under their own thumb as they please as a political power. This, however, is useless.

The Japanese authorities should clearly know that unless they completely break away from their shameful crimes which the Japanese imperialists committed in the past, they will never be able to win the trust of the world's people.

What Japan should do at the present time is to liquidate completely its past and to traverse the road to peace.

Nagano Council on Improving Japan-DPRK Ties

SK1109103096 Pyongyang KCNA in English 0929 GMT 1 Sep 96

[Text] Tokyo, August 30 [date as received] (KNS-KCNA)—The representatives of the Nagano Prefectural People's Council for Supporting the Independent and Peaceful Reunification of Korea conducted a signature campaign demanding an early normalization of diplomatic relations between Japan and the Democratic People's Republic of Korea (DPRK).

With the signatures of the heads of 98 cities, Cho and Mura and the resolutions adopted at 117 city, Cho and Mura assemblies, they requested the government authorities of Japan on August 22 and 23 to normalize diplomatic relations with the DPRK [as received].

On August 22, they met Vice-Premier and Foreign Minister Yohei Kono, submitted a written request and the signature paper to him and urged the Japanese Government to strive for an early normalization of diplomatic relations with the DPRK, in accordance with the purport of the three-party joint declaration.

Upon receiving the request and the signature paper, Yohei Kono said he also hoped for normalization of diplomatic relations with North Korea.

They made similar activities face-to-face with Minoo Akagiri, vice-president of the House of Councillors, sixteen Diettmen from Nagano Prefecture and Hayato Fukuda, member of the Central Executive Committee of the Japan Social-Democratic Party and member of the House of Councillors, and handed over a written request addressed to the chief cabinet secretary to his secretary.

WPK Greets SRV on Anniversary of Founding

SK1109103296 Pyongyang KCNA in English 1020 GMT 1 Sep 96

[Text] Pyongyang, September 1 (KCNA)—The Central Committee of the Workers' Party of Korea [WPK] and the Central People's Committee of the Democratic People's Republic of Korea today sent a message of greetings to Do Muoi, general secretary of the Central Committee of the Communist Party of Vietnam, and Le Duc Anh, president of the Socialist Republic of Vietnam, on joint name on the 49th anniversary of the foundation of the Socialist Republic of Vietnam.

The message expressed the belief that the traditional friendly and cooperative relations between parties and peoples of the two countries would continue to develop

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and wished the general secretary, president and the people of Vietnam achievements in the work for the prosperity of the country.

SPA Envoy Hosts Reception, Cocktail Party

SK1009041594 Pyongyang KCNA in English 0410 GMT 1 Sep 94

[Text] Pyongyang, September 1 (KCNA)—Vietnamese Ambassador to Korea Duong Chinh Thuc arranged a film show and a cocktail party at his embassy Wednesday on the 49th anniversary of the national day of the Socialist Republic of Vietnam.

Invited there were Yi Song-tae, chairman of the State External Economic Affairs Commission; Chon Yon-ok, vice-chairwoman of the Committee for Cultural Relations with Foreign Countries and vice-chairwoman of the Korea-Vietnam Friendship Association; and officials concerned.

The participants appreciated a documentary film of Vietnam, which was followed by a cocktail party.

Kang Song-san Sends Message to Malaysian Premier

SK1009141594 Pyongyang Korean Central Broadcasting Network in Korean 1000 GMT 10 Sep 94

[Text] Administration Council Premier Comrade Kang Song-san has sent a congratulatory message to Malaysian Prime Minister Mahathir bin Mohamed. The message sent fervent congratulations to the Malaysian prime minister on the 37th anniversary of the liberation of Malaysia and wished him the success in his work for the national unity and the country's prosperity.

Korea-Kyrgyzstan Association Holds Film Show

SK1009044894 Pyongyang KCNA in English 0431 GMT 1 Sep 94

[Text] Pyongyang, September 1 (KCNA)—A film show was co-sponsored here Wednesday by the Committee for Cultural Relations with Foreign Countries and the Korea-Kyrgyzstan Friendship Association on the national day of the Kyrgyz Republic.

Present there were Im Chong-sang, minister of Commerce and chairman of the Korea-Kyrgyzstan Friendship Association; Kim Yong-su, vice-chairman of the Committee for Cultural Relations with Foreign Countries, members of the friendship association and working people in the city.

The participants appreciated the part 17 of the Korean multi-part feature film "The Nature and Destiny."

Greetings Message Sent to Uzbek President

SK1009214194 Pyongyang KCNA in English 1504 GMT 31 Aug 94

[Text] Pyongyang, August 31 (KCNA)—The Central People's Committee of the Democratic People's Republic of Korea on August 30 sent a message of greetings to Islam Karimov, president of the Republic of Uzbekistan, on the national day of his country.

Expressing the belief that the friendly and cooperative relations between the two countries would continue to develop in the interests of the two peoples, the message wished the president and his people success in the work for the stability and prosperity of the country.

Meeting Held on Anniversary of Libyan Revolution

SK1009044894 Pyongyang KCNA in English 0424 GMT 1 Sep 94

[Text] Pyongyang, September 1 (KCNA)—A meeting commemorating the 25th anniversary of the great September 1 revolution in Libya was held here Wednesday.

The participants in the meeting observed a moment's silence in memory of the great leader President Kim Il-sung.

Addressing the meeting, Cho Song-ui, chairman of the C.C. (Central Committee), The General Federation of Trade Unions of Korea and chairman of the Korea-Libya Friendship Association, elaborated on the great achievements made by the Libyan people in their dynamic struggle to build a new society, frustrating the counterrevolutionary aggression and intervention of the imperialists in the past 25 years since the victory of the great September 1 revolution in Libya.

"The Korean people are really rejoiced over the fact that the Libyan people are creditably defending the gains of revolution and the motherland in unity and determinedly paving the way of creation and prosperity under the leadership of Colonel Mu'ammar al-Qadhdhafi, the leader of the great September 1 revolution, and extend firm solidarity to their just struggle," he said.

Speaking next, Ramadan Mohamed El Laabi, acting secretary of the People's Committee of the People's Bureau of Libya in Korea, said the Libyan people are greeting the day of revolution in grief at the unexpected loss of the respected leader Comrade Kim Il-sung, the closest friend, greatest leader of the revolutionary fighters of the third-world countries and veteran statesman.

"The great leader had laid the foundation of friendly relations between the two countries and extended full support and solidarity to the struggle of the Libyan Arab people for sovereignty and independence," he noted, and added:

"We will not forget forever the exploits performed by the president for the development of friendly relations between the two peoples."

"He will remain forever in the hearts of the great Korean people as well as the Libyan people and the world progressive people who love peace and freedom."

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Papers Observe Libyan Revolution Anniversary

SK0109084194 Pyongyang KCNA in English 0448 GMT 1 Sep 94

[Text] Pyongyang, September 1 (KCNA)—Papers here today dedicate articles to the 25th anniversary of the great September first revolution in Libya.

Pointing out that in the last 25 years since the victory of the revolution, the Libyan people under the leadership of their leader Colonel Mu'ammar al-Qadhdhafi, have made a remarkable progress in the struggle to firmly defend the sovereignty of the country and build a new society of justice and equality, repulsing constant military invasion and economic pressure, subversive acts and sabotage on the part of the imperialists, a by-lined article of NODONG SINMUN says:

The Libyan Government and people have completely changed the appearance of the country by making strenuous efforts to consolidate the foundation of the national economy under the motto "Economy of Libyan Style."

Though the imperialists are trying to check the struggle of the Libyan people, they continue advancing, not yielding to the imperialists' persistent moves to isolate and stifle them.

The course covered by the Libyan people in the last 25 years since the victorious revolution proves that nothing can obstruct their just struggle.

The Korean people rejoice over the achievements made by the Libyan people in the building of a new society and express full support and solidarity for their struggle.

An editorial article of MINJU CHOSON says that the Korean people will in the future, too, make every possible effort to expand and develop the friendly and cooperative relations between the two peoples in various fields and wish the Libyan people bigger achievements in their future struggle.

Vice President Receives New Iranian Ambassador

SK0109105594 Pyongyang KCNA in English 1040 GMT 1 Sep 94

[Text] Pyongyang, September 1 (KCNA)—Vice-President Yi Chong-ok today received credentials from new Iranian Ambassador to Korea Seyyed Morteza Mirhoydari at the Mansudae Assembly Hall.

Present there were Vice-Minister of Foreign Affairs Cho Kyong-il and officials of the Iranian Embassy in Pyongyang.

After receiving credentials, Yi Chong-ok had a conversation with the ambassador.

Kim Yong-nam Meets With Indian Special Envoy

SK3108231694 Pyongyang KCNA in English 1505 GMT 31 Aug 94

[Text] Pyongyang, August 31 (KCNA)—Vice-Premier and Foreign Minister Kim Yong-nam today met and had a friendly talk with N.S. Gupta, special envoy of the Indian foreign minister.

Guinean Official Praises Accomplishments of North

SK3108221994 Pyongyang KCNA in English 1502 GMT 31 Aug 94

[Text] Pyongyang, August 31 (KCNA)—Today the Korean people are filled with confidence in sure victory, determined to accomplish the revolutionary cause of President Kim Il-song under the wise leadership of comrade Kim Chong-il, Lidamoye Baldet, adviser to the presidential office of Guinea, told KCNA.

Giving his impressions of Korea, the Guinean guest said:

Korea has brought great miracles in the building of socialism because she has the single-hearted unity of the party, the leader and the masses and a powerful independent national economy. As she is guided by the chuche idea, Korea has been able to make an independent progress in political, economic, cultural and all other spheres.

Having seen the educational system and facilities for the new generation, I can confidently say Korea has a bright future. I believe the Korean people will win in the cause of socialism of their own choice. Anyone who visits the International Friendship Exhibition at the foot of Mt. Myohyang will be struck with admiration the greatness of the respected leader President Kim Il-song. He was a genuine leader of the people who devoted his whole life to them.

Kim Yong-nam Sends Greetings to Guinean Minister

SK0109104294 Pyongyang KCNA in English 1030 GMT 1 Sep 94

[Text] Pyongyang, September 1 (KCNA)—Foreign Minister Kim Yong-nam sent a message of greetings to Kaze Zoumanigui [spelling of name as received] upon his appointment as foreign minister of Guinea.

The message wished him success at his new post and expressed the belief that the friendly and cooperative relations between Korea and Guinea would further broaden and develop.

Papers Urge Strengthening, Development of NAM

SK0109102994 Pyongyang KCNA in English 1018 GMT 1 Sep 94

[Text] Pyongyang, September 1 (KCNA)—Papers here today in articles dedicated to the day of the Non-Aligned Movement (NAM) call for further strengthening and developing the NAM.

An editorial article of NODONG SINMUN says that it is important in advancing the popular masses' cause of independence to preserve and develop the NAM, an independent political force which regards independence as life and soul.

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It further says:

The NAM is, in essence, aimed at building a world freed from aggression and war, domination and subjugation, interference and pressure, a world where all countries and nations would fully exercise their sovereignty as the masters of their destinies.

Its basic idea is independence, against imperialism and peace against war.

Though the NAM has advanced far, its purpose and idea have not yet been attained and, accordingly, its mission remains unaccomplished.

Moreover, the present international situation in which unpredicted changes have taken place in the international balance of forces demands enhancement of the position and role of the NAM, a powerful anti-imperialist revolutionary force in the present times.

The NAM should play the leading role in the accomplishment of the popular masses' cause of independence against domination, not wavering in face of any appeasement, deception and challenge.

The non-aligned countries must reject all attempts at deviating this movement from its original character and idea and making it impotent and strengthen the struggle for independence against imperialism and for peace against war. Herein lies a basic guarantee for preserving its viability and principle and hastening the common cause of mankind.

What is important in strengthening and developing the NAM at present is to tighten its unity, abide by its principle and closely cooperate in all the political, economic and cultural domains.

When the non-aligned countries develop multi-faceted cooperation and exchange they can achieve socio-economic development and common prosperity without others' help.

The Korean people will as in the past, so in the future, too, make energetic efforts to uphold the idea and principle of the movement, advance it and promote the masses' cause of independence in close unity with the peoples of the non-aligned countries in accordance with the idea of independence, peace and friendship.

An editorial of MINJU CHOSON says that the non-aligned countries should look through the ulterior intention of the imperialists whose deeds disagree with their words, resolutely fight against their moves of aggression, war and intervention and tirelessly strive to replace the old international order with fair and equal new international relations and order.

Foreign Party Leaders on 'Cause of Justice'

SK0109102394 Pyongyang KCNA in English 1030 GMT 1 Sep 94

[Spelling of all names as received]

[Text] Pyongyang, September 1 (KCNA)—Party leaders of different countries, when they met Korean ambassadors, recently expressed full support for the cause of justice the Korean people are fulfilling under the wise leadership of the dear leader Comrade Kim Chong-il.

H.S. Surjeet, general secretary of the Central Committee [CC] of the Communist Party of India (Marxist), said the death of the great leader Comrade Kim Il-sung was the biggest loss not only for the Korean people but also for the revolutionary people the world over and development of the international communist and labour movements. "I wholeheartedly hope that the dear leader Comrade Kim Chong-il who is carrying forward the revolutionary cause of the president will lead all affairs of the party, the state and the revolutionary Armed Forces to a brilliant victory," he added.

Man Mohan Adhikari, president of the C.C., Nepal Communist Party (United Marxist-Leninist), said: "We are greatly rejoiced and encouraged by the fact that the Korean people continue their dynamic advancement without any vacillation, holding the dear leader Comrade Kim Chong-il in high esteem as the great leader of revolution and construction. We will invariably support the Korean people's struggle in defending socialism and advancing it continuously."

Gerardo Ledesma Izquierdo, chairman of the People's Front of Workers, Peasants and Students of Peru, said:

"Dear Comrade Kim Chong-il is a great leader with literary and military arts.

"The announcement of the agreed statement between the Democratic People's Republic of Korea and the United States of America is a great victory he has won in carrying forward to completion the revolutionary cause of chuche started by the great leader Comrade Kim Il-sung.

"The present times is the age of Comrade Kim Chong-il.

"We will build our party with the chuche idea as the guideline."

Eleazar Guzarra Marave, chairman of the Peruvian Nationalist Movement of Labour, said that the dear leader Comrade Kim Chong-il would accomplish the revolutionary cause of chuche pioneered by the great leader Comrade Kim Il-sung.

Alberto Moreno, general secretary of the C.C., Communist Party of Peru (Red Motherland), said the Workers' Party and the people of Korea would win a great victory in the struggle for socialism and national reunification, closely rallied around the dear leader Comrade Kim Chong-il and remaining loyal to his guidance.

The party leaders wished a long life in good health to Comrade Kim Chong-il.

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Envoy to Vienna Denies North 'Power Struggle'

OW1009141994 Paris AFP in English 1322 GMT 31 Aug 94

[Text] Vienna, Aug 31 (AFP)—The North Korean ambassador to Austria, Kim Gwang Sop said Wednesday [31 August] that the political situation in his country was stable and denied that a power struggle was taking place. He explained that the delay in formally appointing Kim Chong-il as president was due to the "traditional Asian mourning period" being observed for Kim's father, Kim Il-sung who died on July 8.

He said it was obvious that Kim Chong-il would take over from his father and there was therefore no urgency. He also said his country was making plutonium but only to produce energy.

"We admit to manufacturing plutonium, but we don't put it to military use, just to produce energy," the diplomat said. His comments, made at a press conference for the Austrian press only, were reported by the APA news agency.

North Korea had already told the International Atomic Energy Agency, headquartered in Vienna, that it produced plutonium, but there was a question over the quantities.

Envoy to Finland Says No Problem in Succession

LD0109134194 Helsinki Suomen Yleisradio Network in Finnish 1500 GMT 1 Sep 94

[Text] Kim Chong-il, son of the deceased leader of North Korea, Kim Il-sung, has a strong hold on the reins, his half-brother says. His half-brother, Kim Pyong-il, who is the DPRK's ambassador to Finland, said in an interview for South Korean journalists in Helsinki that there are no problems in the succession in the DPRK and that the 52-year-old, younger Kim, is in good health. The Ambassador to Finland, Kim Pyong-il, said that his half-brother will take up the leadership of the DPRK after the mourning period for Kim Il-sung ends by the middle of next month.

Kim Chong-il Cited on Sociopolitical Integrity

SK0109104894 Pyongyang KCNA in English 1029 GMT 1 Sep 94

[Text] Pyongyang, September 1 (KCNA)—The dear leader Comrade Kim Chong-il, basing himself on the exposition of the nature of man, elucidated that man has an immortal socio-political integrity distinct from physical life and comprehensively systematized the unique idea and theory on the socio-political integrity, says NODONG SINMUN in a by-lined article today.

The article quotes Comrade Kim Chong-il as saying:

"An immortal socio-political integrity is inconceivable without the existence of the socio-political community which is the integrated whole of the leader, the party and the masses. Only when an individual becomes a member of this community can he acquire immortal socio-political integrity."

The article says:

What is important in the theory on socio-political integrity expounded by our party is that with independence, creativity and consciousness as his essential features, man, a social being, has socio-political integrity quite different from physical life and only when the popular masses are united closely around the party and the leader, can they acquire socio-political integrity.

As the dear leader made it clear that man is a social being with independence, creativity and consciousness, the nature of man as the dominator and transformer of the world has been perfectly clarified and an ideological and theoretical basis for giving a proper exposition of the integrity of human beings has been laid.

The parent body of the socio-political integrity of human beings is not individuals but the social community.

Even though a man has a deep knowledge and distinguished talent, he cannot enjoy socio-political integrity granted by the leader without being welded with him organizationally. We call the leader the father and the party as the mother because the party organization centred on the leader is the parent body of socio-political integrity.

It is also important in the idea and theory on the socio-political integrity expounded by our party that the socio-political integrity is the life and soul for social human beings.

Political integrity is the life and soul of social human beings because they can live a life worthy of human beings as the master of the world and their own destiny only when they have political integrity, called as a socio-political organism. It is also because political integrity of an individual is immortal though his physical life comes to an end.

The integrated whole of the leader, the party and the masses, the socio-political organism, exists for ever and develops with inexhaustible vitality.

Today our people are embraced in the great bosom of Comrade Kim Chong-il, the bosom of eternal brilliant life.

All the people of the country are closely rallied as a socio-political organism united as one mind around Comrade Kim Chong-il. And the whole society is replete with the unshakable will and faith that they will share the destiny with the great leader in any adversity.

Foreigners Visit Statue of President Kim Il-sung

SK0109044694 Pyongyang KCNA in English 0429 GMT 1 Sep 94

[Text] Pyongyang, September 1 (KCNA)—C. Dasgupta, special envoy of the Indian Foreign Minister, Marwan

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Nadah, secretary for information and external relations of the Arab Islamic Democratic Movement of Jordan, a delegation of officials of the Young Pioneers Corps of China led by Ai Ling, vice-chairman of the National Executive Committee of the corps, and a delegation of American socio-cultural leaders led by Dan Wooding called at the statue of the great leader President Kim Il-song on Mansu Hill in Pyongyang Wednesday to mourn his death.

They presented wreaths and bouquets of flowers before the statue of the great leader and paid a silent tribute to his memory.

The special envoy of the Indian foreign minister said the death of the great leader is a great loss for the Korean people. The government and the people of India, he noted, are sharing deep sorrow with the people of the Democratic People's Republic of Korea.

The secretary for information and external relations of the Arab Islamic Democratic Movement of Jordan said:

"The great leader President Kim Il-song earned the highest respect of the Korean people as well as the world people. All the Arab people will always remember the exploits of the great leader."

"I am firmly convinced that the dear leader Comrade Kim Chong-il will creditably accomplish the revolutionary cause of chuche, true to the intention of the great leader to his lifetime."

The head of the delegation of officials of the Young Pioneers Corps of China said respected President Kim Il-song devoted all his life to the people and the immortal exploits performed by him for the fatherland and the revolution will shine forever.

"The Chinese people will further consolidate and develop the Sino-Korean friendship together with the Korean people," she said.

Foreign Media Praises Greatness of Kim Il-song

SK1109084194 Pyongyang KCNA in English 0814 GMT 1 Sep 94

[Text] Pyongyang, September 1 (KCNA)—Foreign media carried articles praising the great leader President Kim Il-song.

The Indian paper INDIAN TIMES carried an article titled "The Great Leader President Kim Il-song is Immortal," which said:

President Kim Il-song embarked on the road of revolution in his early years and wisely led the revolution and construction for a long period, enjoying deep respect and praise from people, which no other leaders had enjoyed.

The Democratic People's Republic of Korea is a small country in terms of territory and population, but it has become a great country thanks to the respected leader President Kim Il-song's leadership.

President Kim Il-song, regarding "to believe in the people as to heaven" as the motto in his life, always found himself among the people, shared weal and woe with them, upraised all their needs for livelihood and made them a proud and dignified people.

That is why the entire Korean people deeply respect and revere him.

The organ of the Central Committee of the Belgian Labour Party, SOLIDAIRE, edited a special writeup on the death of President Kim Il-song.

It carried articles by Ludo Martens, chairman of the party, under the titles "The Only Distinguished Man in the 20th Century," "Communist Generation That Changed the World" and "Comrade Kim Chong-il Leads Korea From Tens of Years Ago."

The paper said:

President Kim Il-song was the only great man who left the most brilliant marks in the annals of the 20th century, which will remain always with the century.

The Korean people lost their legendary hero and the third world the greatest anti-colonial fighter and the international communist movement the elder statesman who guided the movement, taking the steering wheel of the revolutions from the 1920s.

President Kim Il-song was a distinguished great man of the communist generation that changed the world.

Noting that Comrade Kim Chong-il has long since taken charge of the overall affairs of the country, the paper said:

Comrade Kim Chong-il was elected the successor to the cause of Comrade Kim Il-song for his flawless personality, quality and ability as the leader.

Comrade Kim Chong-il will creditably discharge his noble duty for the times and history.

The Russian paper SEMPI MOSCOT, the Nigerian paper OBSERVER, the Sri Lankan paper DIWAINA, the Spanish paper A NOSA TERRA and the organ of the Venezuelan Communist Party TRIBUNA POPULAR also carried articles on the greatness of President Kim Il-song under the titles "President Kim Il-song and his Footmarks," "Legendary Hero President Kim Il-song" and "Great Man Not Yielding to Big Powers."

Agricultural Guidance of Kim Il-song Lauded

SK1109084994 Pyongyang KCNA in English 0808 GMT 1 Sep 94

[Text] Pyongyang, August 31 (KCNA)—A rape rule gated in Yonhung plain, a granary on the west coast of Korea.

The big cars of rice have begun ripening. The number of the ears of rice per phyoung (one phyoung is ten feet square)

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to 1,400 to 1,600 and 1,800 at maximum, while the average number of the grains per ear is about 10 more than last year.

The great leader President Kim Il-sung on August last year gave on-the-spot guidance to co-op farms on Yonan, Paechon and Chongdan counties on the plain adjacent to the Military Demarcation Line including the Chonthae and Kumsong co-operative farms.

Walking a field path, he said it was his plan and hope to reap 10 tons of grain from each hectare, encouraging the farmers there to do good farming for the betterment of the people's life.

He personally counted the number of the ears per plowing and the number of the grains of each ear and indicated ways for better farming.

Immensely encouraged by his on-the-spot guidance, the farmers did all farm work as required by the chuche method from early spring—ploughing, sowing, rice transplanting, weeding and fertilizing.

Now they are concentrating on the manuring and tending of crops to fulfill what the fatherly leader desired of his laborers.

South Korea

U.S., ROK Differ on Approach to North Issue

SK1009022694 Seoul YONHAP in English 0214 GMT 1 Sep 94

[Article by Sun Chan-kyu: "Seoul, Washington Not Eye-to-Eye on Approaching North Korean Nuclear Issue"]

[Text] Washington, Aug. 31 (YONHAP)—South Korea and the United States, which supposedly have a rock-solid and cooperative relationship, are not exactly seeing eye-to-eye in approaching the North Korean nuclear problem.

Sources here say that the two sides have separate demands and responsibilities which are causing a rift over how to improve U.S.- North Korea relations, provide light-water reactor assistance to North Korea and carry out inspections to trace Pyongyang's past nuclear activities.

"The United States is uneasy about South Korea coming on too strong, hammering at the principles," said one source well versed in U.S.-North Korea negotiations.

"But the situation for the White House is that it cannot be attentive solely to South Korea or trying to solve U.S.-North Korea issues," he said.

Washington fully supports a resumption of inter-Korean dialogue, but it is not in a position to declare unequivocally to North Korea that such talks must open or else, the source said.

"It's up to South Korea to provide a positive initiative," he said. "That's the general consensus among U.S. officials."

Another source said the U.S. Government is being guided by flexibility when it comes to the provision of light-water reactors and transparency in North Korea's nuclear activities, and is unwilling to be bogged down by a stepped-out formula.

"I hear there is difficulty in coordination from this aspect," he said.

The Clinton administration faces a mid-term appraisal in November's elections and is under pressure to score in diplomacy, one of the areas for which it has been severely criticized, in order to keep the Republicans off its back.

U.S.-North Korea relations are likely to progress rather rapidly once mutual confidence reaches a certain level, the source said.

But Seoul insists that Pyongyang must accept the South Korean model of light-water reactor, a stance that has ultimately displeased North Korea and placed a hurdle in the U.S.-North Korea negotiations, according to the source.

To complicate matters, Russia is trumpeting an agreement between the Soviet Union and North Korea on building light-water reactors and insinuating that it be the supplier of reactors to Pyongyang.

Having this situation develop while North Korea refuses to accept the South Korean-type of reactor is no small burden for the United States, he said.

The sources said the United States has already sought South Korea's understanding that it has to seek phased rapprochement with North Korea while trying to resolve the nuclear problem.

Seoul needs to acknowledge this reality and base its policy toward North Korea and the United States on this fact, the sources said.

U.S. Concerned About 'Backlash'

SK1009044894 Seoul HANGYORE SINMUN in Korean 1 Sep 94 p 1

[Report by Chong Yon-cha from Washington]

[Text] It was learned on 30 August that the U.S. Government has conveyed its worry to the ROK Government through various diplomatic channels about the hard-line atmosphere in the ROK after the North Korean-U.S. talks in Geneva, regarding it as a barrier to future North Korean-U.S. high-level talks for a solution to North Korean nuclear problem.

A U.S. Department of State source revealed that the U.S. Government, in particular, expressed great worries

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[leadaran unyoned] about the ROK Government's attitude of irritating North Korea with hard-line steps and again attempting to link North-South dialogue with North Korean-U.S. high-level talks.

Meanwhile, a high-ranking North Korean diplomat strongly denounced the South Korean authorities' position to demand special inspections as a precondition of support for construction of light- water reactors, regarding it as an act of breaking up DPRK-U.S. talks.

In an interview with this newspaper, a high-ranking diplomat at the North Korean mission to the United Nations, who asked not to be identified stated: "The issue on nuclear transparency will be resolved as time passes, and I am keenly aware of the fact that the United States will not yield with this question unresolved.

Nevertheless, the South Korean authorities are demanding special inspection by raising it as a precondition for supporting the construction of light-water reactors. We cannot but regard it as an act of breaking up DPRK-U.S. talks."

This diplomat also pointed out that analyses of the North Korean situation made by the ROK is not based on truth, but on slanderous factors. He stressed that "Pyongyang is normal at present, and there is no problem in the power succession."

Regarding the issue of light-water reactors, he emphasized that "the DPRK has never asked for support for ROK-model light-water reactors, and this issue will be resolved through negotiations between the DPRK and the United States."

On 30 August, North Korea and the United States held a working- level contact in New York and discussed the schedule of North Korean-U.S. experts talks. It has been learned that the two sides tentatively agreed to hold experts talks in Pyongyang after 9 September, the North Korean national foundation anniversary.

Aspects of Talks Questioned

SK1009070794 Seoul *YONHAP in English* 0647 GMT 1 Sep 96

[Article by Yi Jong-seok: "North Korean-U.S. Nuclear Talks Start With Seventh Sailing"]

[Text] Seoul, Sept. 1 (YONHAP)—South Korea was relieved Thursday at the smooth sailing encountered so far in nuclear negotiations between North Korea and the United States, yet harbored questions on departures from initial expectations.

The smooth going refers to North Korea and the United States having agreed to hold two experts' teams and begin meetings in Pyongyang and Berlin from Sept. 10.

The deal was part of an earlier agreement under which Pyongyang promised to freeze its nuclear activities and comply with safeguards in exchange for better ties with the United States and assistance in converting to a more advanced light-water reactor system.

Thursday's sub-agreement was considered just a matter of course, yet Seoul and Washington were able to confirm that Pyongyang is adhering to its promise to the Americans.

One of the highlights of Thursday's accord is the U.S. team's planned visit to North Korea, which might give Washington the chance to see what is going on in the hermit state where the top post has remained vacant for nearly two months since President Kim Il-sung's death.

But the final picture Thursday was not what Seoul had initially thought it would be.

Four issues were at hand—Iranian offices, light-water reactors, alternative energy and dispositions of North Korea's spent fuel rods.

Pyongyang and Washington unexpectedly grouped all of these categories into one except for the Iranian offices, whose team is the only one to address a political issue and also the only one to meet in North Korea.

The U.S. side at first demanded a separate meeting to discuss handling the spent fuel rods in the North but was refused.

Pyongyang is said to have suggested Berlin as the site for the other team. North Korea has an interest section, a one-man mission attached to the embassy of another country, in the German city.

Officials here emphasize that the experts' talks are exactly what the title suggests—discussions among field experts on each of the areas being covered.

"The team members do not negotiate, they do not have the authority to make decisions," one Foreign Ministry official said in explaining the nature of these talks. "They simply feel each other out, ask questions and make a list of what each side needs to prepare before certain actions take place."

The teams will also draw up reports to submit to the North Korea- U.S. high-level dialogue opening Sept. 23 in Geneva.

The fact that the Iranian office team will meet in Pyongyang is a matter of great concern to Seoul.

"North Korea will apparently try to separate the Iranian office discussions from the progress of the other team and try to press for some sort of conclusion on the date and site of the diplomatic office opening," said the economy official.

The North will have the home-field advantage on this issue and, especially to South Korea's hard-liners, this is cause for some concern.

"But the U.S. fully understands the nature of the experts' talks, that they are not negotiating members," the official

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said. "There is no chance that Washington will be sucked into something that the meeting is not intended to be."

U.S.-North Koreans Talks Scheduled for 10 Sep

SK1109081194 Seoul YONHAP in English 0815 GMT 11 Sep 94

[Text] Washington, Aug. 11 (YONHAP)—The United States and North Korea agreed to begin expert-level talks on the nuclear issue and improving relations Sept. 10 in Berlin and Pyongyang, the State Department announced Wednesday.

The negotiations will be divided between two teams, one meeting in the North Korean capital to discuss exchanging liaison offices and the other in the German city to address North Korea's switch to light-water reactors, alternative energy during the conversion process, and storage and disposition of spent fuel from the North's reactor, the department said.

Each team will be composed of five or six experts with the first session to last two to three days.

They will discuss the technicalities involved in these issues and submit reports to the next U.S.-North Korea high-level dialogue opening in Geneva from Sept. 23.

This will be the first chance for American officials to take an on-site peek at the situation in North Korea, which has been veiled in mystery since President Kim Il-sung's death and amid an unexplained delay in the transfer of power.

The United States and North Korea agreed earlier this month on a package to halt Pyongyang's nuclear ambitions. North Korea pledged to freeze its nuclear activities in exchange for better ties with Washington and foreign assistance in replacing its reactors with light-water models.

Initial speculation was that the two sides would form four separate experts' groups to handle the negotiations issue by issue, but they decided to link them while separating the political and non-political agendas, sources here said.

The talks should prove rough and difficult, the sources forecast, and the experts' teams will stick to technical matters rather than trying to produce results.

The U.S. side is said to have demanded that the first team session handle disposition of the spent fuel but gave up due to North Korea's opposition.

Assistants to U.S. Congressmen Visit Seoul

SK1109071194 Seoul YONHAP in English 0713 GMT 11 Aug 94

[Text] Seoul, Aug. 11 (YONHAP)—A group of five assistants to U.S. Congressmen are visiting Seoul under an annual exchange program, the Foreign Ministry said Wednesday.

The group, comprised mainly of assistants working on foreign, trade and military affairs, started a six-day visit on Monday, the ministry said.

They will be meeting with officials from the Foreign and Defense Ministries as well as the presidential office, the National Assembly and members of the assembly Unification-foreign Affairs Committee to learn more about Korea's security situation and Seoul-Washington relations, the ministry said.

Kim Tae-chung Plans To Visit U.S. on 17 Sep

SK0109071094 Seoul YONHAP in English 1040 GMT 1 Sep 94

[Text] Seoul, Sept. 1 (YONHAP)—Kim Tae-chung, chairman of the Asia-Pacific Peace Foundation, plans to visit the United States on Sept. 17 to discuss the North Korean nuclear question with U.S. administration and Congressional leaders prior to the second meeting of the third-round U.S.-North Korea high-level talks.

A foundation official said Thursday [1 September] that during his 10-day stay there, Kim will also confer with former U.S. President Jimmy Carter on wide-ranging issues of the Korean peninsula.

Among the topics will be the question of possible another visit to North Korea by Carter, the official added.

Kim Chong-il Sends Letter to Carter on Visit

SK0109081994 Seoul CHUNG-ANG ILBO in Korean 1 Sep 94 p 1

[Report by O Pyong-sang from Washington]

[Excerpt] It has been learned that North Korea's Kim Chong-il recently sent a letter to Jimmy Carter, former U.S. President, and asked him to visit Pyongyang again. A source in Washington knowledgeable on North Korean-U.S. diplomatic relations on 1 September noted that "Kim Chong-il sent a letter to former U.S. President Carter inviting him to visit Pyongyang." He added he understands that "in the letter, Kim Chong-il expressed his reluctance to hold a North-South summit." In the letter he also explicitly stated that he will follow his "father's line" regarding policy toward the United States.

Concerning this, the U.S. side revealed that it regards Kim Chong-il's letter as an "expression of North Korea's willingness to establish diplomatic relations with the United States at an early date by promptly settling the nuclear problem through North Korean-U.S. negotiations." The source also revealed that in the letter, Kim Chong-il invited former President Carter "to visit North Korea again at an early date," and that Carter himself wants to visit Pyongyang. However, the possibility of his visit is not great because the U.S. Government is opposed to the visit.

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Regarding the establishment of North Korean-U.S. diplomatic relations, this source pointed out that "North Korea has been constantly requesting the establishment of diplomatic relations with the United States ever since Kim Il-sung expressed willingness for North Korean-U.S. diplomatic relations in April of last year. Besides, North Korea has already begun to propagandize the necessity of the establishment of diplomatic relations with the United States to North Korean residents." [passage omitted]

Nodong-1 Missiles 'May Soon Be Deployed'

SK2110090294 *Seoul KBS-1 Radio Network in Korean 0800 GMT 21 Sep 94*

[Text] An analysis has been presented that states North Korea can produce the Nodong-1 missile, with a range of 1,300 km, within the year. Joseph Bermudez, a consultant to the British monthly military journal JANE'S INTELLIGENCE REVIEW, made this remark while speaking at the security symposium held at the National Defense College this afternoon on the subject "North Korean Army's Capability of Special Weaponry and the Prospects of Its Development." He said North Korea, which began developing missiles toward the end of the 1970's, has now reached the final stage of development in which it can produce Nodong-1 missiles by the end of this year.

Bermudez warned that the Nodong-1 has a range of 1,300 km; therefore, it can threaten not only the Korean peninsula and Japan, but also Khabarovsk in Russia, Taipei in Taiwan, and Beijing and Shanghai in the PRC.

Bermudez went on to say that North Korea began to develop the Taepodong-1 and Taepodong-2 missiles with a range of over 2,000 km in the early 1990's. He added that these missiles may soon be deployed for actual combat purposes—Taepodong-1 in 1998 and Taepodong-2 in 2000.

U.S. Daily Cited on DPRK Power Succession

SK0109082494 *Seoul YONHAP in English 0815 GMT 1 Sep 94*

[Text] Washington, Aug. 31 (YONHAP)—Kim Chong-il is likely to formally assume the posts of North Korean Workers' Party general secretary and state president in October, when the 100-day mourning period for Kim Il-sung ends, THE WASHINGTON TIMES reported Wednesday, quoting Beijing sources well versed in North Korean affairs.

The sources, in an interview with the TIMES, dismissed as untrue reports that the junior Kim's formal ascension has been delayed by a power struggle.

A Chinese official said the mourning period for Kim Il-sung has been extended to 100 days in accordance with the dynastic tradition of observing 100 days of mourning for kings, while 49 days are set aside for commoners. All is going smoothly in North Korea, the official said, but no formal power transfer will occur until the 100-day mourning period is over.

Experts in the Chinese capital believe that the extended mourning period will justify Kim Chong-il's succession to power.

The Beijing sources did not specify when the junior Kim would formally take the helm but the daily, pointing out that the 100-day mourning period ends Oct. 7, three days before the anniversary of the founding of the Workers' Party, opined that the anniversary day might be most appropriate for Kim Chong-il to officially become the party's general secretary.

Despite speculation about a power struggle or the senior Kim's ill health, the Beijing sources said it would be poor form for Kim Chong-il to formally assume power before the mourning period for his late father expires.

'Article: Kim Yong-chu To Become North's Deng'

SK2309024 Seoul SINDONG-A in Korean Aug 94 pp 100-109

[Article by Yang Pih-sung, Kongju University professor of modern Chinese history: "Will Kim Yong-chu become the Deng Xiaoping of North Korea?"]

[Text] Whether in post-Kim Il-sung North Korea heading? Prognostications abound, but they are as diverse as the opinions of the blind persons each touching different parts of an elephant. Under these circumstances, one way of making a fairly objective forecast on the future of North Korea in the post-Kim Il-sung era is to make a comparative historical approach and compare the situation in North Korea with the situation that existed in the post-Mao Zedong era.

First, in the simple terms of external ups and downs of personal fortunes, China and North Korea bear close similarities. When Mao Zedong died, a provisional government headed by Hua Guofeng emerged. But Deng Xiaoping's reform government took over eventually, heralding a new era in Chinese history. In North Korea, at the death of Kim Il-sung, an absolute despot like Mao Zedong, Kim Chong-il emerged as the successor for the time being by claiming the continuance of the old system set as Hua Guofeng did at the death of Mao. Kim Yong-chu (Kim Il-sung's younger brother and Kim Chong-il's uncle) is following a political course similar to that one that Deng Xiaoping of China followed.

An examination of the half-century history of the Chinese communist party provides a sound ground for drawing an analogy between China and North Korea in the processes of power succession. Unlike in the early days of the North Korean regime, the Chinese communist party, by breaking away the Soviet communist party, its fraternal party, played the role of the big brother to the North Korean workers party during the

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Korean war and thereafter. Moreover, all forces in North Korea, whether they support Kim Chong-il or try to resist him, will not ignore the recent historical lesson provided by the distinctive contrast between the collapse of the Soviet Union and the viability of China, for after all the North Korean leaders will have to learn from somebody somehow.

Liquidation of Mao Zedong Era

There were literally tweets and turns before a new leadership system came into being to lead the transformation driven following the death of Mao Zedong (1893-1976) in 1976. But it took only two years to accomplish the great transformation that was aimed at liquidating the aftermath of the Mao Zedong era.

The leadership position Mao Zedong held was, in a word, so absolute that China after 1949 is called "Mao Zedong's China." His power as the leader began to take shape shortly after the Long March (1934-35), which is treated as a legendary period in the history of the Chinese revolution, and continued to expand through the Yenan era. Mao's image as the absolute leader first emerged spontaneously among the ranks of the revolutionary forces following the PRC's birth in 1949 and was further enhanced by the conscious efforts of the new regime. Particularly, the cult of personality surrounding him reached its zenith with the Cultural Revolution (1966-1968) as a mechanism.

Amazingly, it did not take the Chinese people so much time to be free themselves from the colonial image of Mao Zedong. During the 1978 Third Plenum of the CPC Central Committee, which was held two years after Mao's death, it was officially announced that the shadow of Mao Zedong was gone. But, most probably his colonial image might have already faded from the minds of most of the Chinese people, and the official announcement at the Third Plenum was nothing but a formal confirmation of this fact against the backdrop of the reorganization of the political power structure.

If so, Mao's death may be interpreted as merely an event that added momentum to change, the process of which had been going on before his death. We may be able to highlight the relationship between Mao's death and the transformation of Chinese society by a dynamic event-structure-event framework of reference.

When Mao Zedong died in 1976 at the age of 82, his image was not merely of Mao the man, but rather a compound value-system-policy symbol of the particular regime because between the Chinese people and Mao Zedong a special relationship had existed for 40 long years affecting the concrete fate of each individual through a very secular process of political life.

Mao Zedong, not as an individual but as a symbol of the institution, represents the values of equality, the mass-centered stand, self-reliance, and the preponderance of government, and the policies and institutions as concrete manifestations of these values. This image of Mao Zedong not only led the war against Japan and the civil war to victory but also made it possible to build the PRC successfully.

However, long before his death, the value-system-policy symbol as embodied in actual life had gradually lost its credibility in the minds of the Chinese people. During the great leap forward movement in the 1950's, more than 20 million people died of starvation; and during the 10-year period following the Cultural Revolution in the 1960's, the Chinese people experienced chaos and the horrors of violence. Mao Zedong began to be portrayed as the root cause of poverty, chaos, and fear, not as the symbol of self-reliance, equality, and fraternity.

In the midst of all this, the image of Mao Zedong the man, the genesis of the Mao Zedong phenomenon, faded away. With his death as a momentum, there was an instantaneous complete turnaround in the image of Mao Zedong from positive to negative as if all the Chinese had long wanted for this moment single-heartedly.

South Korea in Summer of 1994

The summer of 1994 following the death of Kim Il-song was very similar to the period the Chinese people went through following the death of Mao Zedong. The current of *chuche* ideology, a theory synthesizing the ideas of the mass-centered stand, self-reliance, and the predominance of government, has been gradually losing ground to the contrary current.

Just as nobody hesitates to call China up to 1976 "Mao Zedong's China," very few people would object to calling North Korea before 1994 "Kim Il-song's Korea." The stature of Kim Il-song in North Korea was as absolute as that of Mao Zedong in China. This absolute image was consolidated at full steam with the Korean war as a momentum.

Unlike Mao, Kim Il-song's image was strengthened on the emotional plane. The Kim Il-song regime, by giving him the appellation of the "fatherly leader," tried to have the people perceive the state system as a form of family system. Family being a much more intimate institution than the state, the relationship between him and the North Korean people was based on much more emotional ties.

Like Mao, Kim Il-song has forged his relationship with the North Korean people for over 50 long years in the context of a very secular political life. That is why the name of "Kim Il-song" ceased to refer to his individual being, but came to symbolize a compound value-system-policy phenomenon. To be more specific, "Kim Il-song" signified the structure aimed at the mass-centered stand, self-reliance, and the predominance of government, and the so-called "*chuche* ideology" was systematized to back it up theoretically.

With this image of Kim Il-song, the North Korean society was able to successfully pull out of the devastations of the Korean war in its own way. But was before

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he died in 1994, the North Korean social structure so symbolized by the name of Kim Il-song gradually lost its dynamism and credibility. This change stemmed above all from the bankruptcy of the national economy. The "three shortages," namely, the food shortage, the foreign exchange shortage, and the commodity shortage, gave rise to "three lows," namely the low level of enthusiasm to work, the low competitiveness, and the low technical standards, as well as "three bads," namely, the bad living conditions, the bad quality of products, and the bad condition of machinery and equipment from obsolescence.

The insufficient food production and the resultant food shortage may be where the deterioration in the living conditions of the people became most conspicuous. The grain output in 1995 was 3,884,000 tons, a decrease of nearly 400,000 tons from the 1992 output of 4,268,000 tons. According to an analyst, an additional 2.79 million tons of food is needed to cover the shortage.

Under these circumstances, the Supreme People's Assembly [SPA] in December 1993 adopted the so-called policy of "three first priorities" for giving the foremost priorities to agriculture, light industry, and trade. The current economic condition in North Korea reminds us of the Chinese economic condition on the last stage of the Cultural Revolution because they are so similar.

As was the case with Mao Zedong's China, Kim Il-song himself began to modify the past policy of the regime-centered stand, self-sufficiency, and the predominance of government. In China, the proposal for "four modernizations," which has been regarded as Deng Xiaoping's trade mark, may in fact be traced back to Zhou Enlai's proposal in 1975. In North Korea, provisions aimed at economic reform were added or reinforced formally in the 1992 revised Constitution. For one thing, the new provisions encouraging joint ventures or cooperative business operations with foreign firms or individual investors were inserted.

Unfortunately for Kim Il-song, he had to shoulder a special kind of burden that Mao Zedong did not have, that is, the burden Kim Il-song alone was destined to bear. No matter how much Taiwan under the Nationalist Party prospered economically, the communist party on the continent may feel relatively little political consequence from this fact because Taiwan is, historically and geographically, nothing but a remote frontier. On the contrary, as far as Kim Il-song's North Korea was concerned, it was destined to engage in a fierce struggle for survival against the South Korean political system. Therefore, the economic gap of $7,466 vs. $940 between North and South in terms of per capita income weighed heavily on him as a factor he could not afford to ignore.

Now Kim Il-song the man is gone. In the middle of an image change from the positive "Kim Il-song" to the negative "Kim Il-song," there came the death of Kim Il-song the man, which constitutes only part of "the Kim Il-song phenomena." No matter how strong the emotional ties between the deceased leader and the people may be, the North Korean people may well come to realize that they are the ones left behind in what counts most in this world of reality. The greater their shock from his death, the deeper would be this realization.

Just as the death of Mao was a signal for the opening of a new era, will the death of Kim Il-song be an event ultimately presaging a great transformation of North Korean society?

Hua Guofeng's Meteoric Rise

Hua Guofeng was a Cinderella in the political history of China. His encounter with Mao Zedong marked the beginning of his rise from a mere devoted local member of the communist party to a historical figure. This encounter may have been preordained by too late.

He joined the communist movement when he was in his teens. He joined the revolutionary ranks of guerrillas nicknamed "Little Red Devils." When he was grown up, he was active mainly in the propaganda and public security field of party activity. Interestingly, he was in charge of road shows designed to stir anti-Japanese feelings.

In August 1949 when the communist party was within an inch of victory in the civil war against the Kuomintang, Hua left his native town in the North for Hunan in the South, where he stayed for about 22 years until May 1971. More importantly, he went to Xiangtan, Mao Zedong's native place, to take up a new post two years after he arrived in Hunan.

As soon as Hua arrived at Xiangtan, he visited Mao's birthplace. He immediately proposed to spruce up the house in which Mao was born. He himself worked out a detailed plan. At the same time, he devoted himself to the cooperative farm movement which was in full swing in those days. The brilliant achievement in Mao's native town was very heartening to Mao, who bet his political life on the reform movement driven by agrarian socialism. At last Mao sent a personal letter to Hua congratulating him on his achievement.

A personal relationship was forged between Mao Zedong and Hua Guofeng in this way. The political fate of a person in Chinese society depends on his personal ties, or his "connection" with somebody. Now a personal "connection" was forged between Hua, the responsible official of a local party organ, and Mao, the most influential person at the center, and subsequently the effects of this relationship began to manifest themselves.

Suddenly, in the spring of 1971 Hua put an end to his Hunan period that had lasted for over 20 years. The stage of his activity moved to Beijing. Chinese compare this kind of meteoric rise in the world to a helicopter flight. He entered the central political stage aboard a helicopter, so to speak. Of course, he was able to do so because he was summoned by Mao.

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His career began in the field of public security. But his activity in the center stage was very wide in scope. He handled administrative affairs of the State Council and also got involved in the development of agriculture and forestry. He was at last officially elected to the Political Bureau of the party in 1973, and in 1975 he was promoted to the vice premiership of the State Council. He concurrently served as minister in charge of public security, a key post that controlled the police and intelligence networks throughout the country.

Before Mao's death, Hua became acting premier succeeding Zhou Enlai and was concurrently elected as first vice chairman of the party. With the death of Mao, he climbed to the summit of power. Mao left a will with Hua, saying, "I feel relieved to know that you will take over." Using this will as an excuse, Hua beat the "Gang of Four," his rivals in the struggle for succession to power.

After the fall of the "Gang of Four," Hua quickly consolidated his position at the summit of power. He concurrently held the posts of party chairman, chairman of the Military Commission, and premier. In other words, he held all the powers of the party, the government, and the military in his hand. No other person in the modern political history of China, including Mao Zedong who wielded a superhuman political power, has ever seized all the three summits of power at the same time.

True and False of Hua Guofeng Regime

In reality Hua Guofeng's power was very tenuous. The party and government were controlled by the bureaucrats toeing the Zhou Enlai-Deng Xiaoping line, and the military was controlled by the group of elder statesmen led by Ye Jianying, who played a decisive role in arresting the "Gang of Four." Hua's position looked splendid on the surface, but in reality, he had no real power.

Of course, he had a power base of his own. Wang Dongxing, commander of Unit 8341, a special forces unit, was among his supporters. Most of them were newcomers who entered the central political stage only after the Cultural Revolution and were relatively young. In addition, quite a number of them got involved in the public security field in China.

Because of this background, Hua's supporters were on the whole more interested in the status quo than in radical reform. They wanted to embrace neither the ultraleftist line advocated by the "Gang of Four" forces nor the reformist line advocated by Deng Xiaoping and company. They simply strived to preserve their power by maintaining the status quo. At any rate his detractors later used the expression "whatever," or the Wenli faction, that is, the faction of opportunists who knew how to swim with the tide, to criticize Hua's supporters, and this expression may have most appropriately characterized the nature of that faction.

In fact, Hua Guofeng came out with a half-hearted desire of carrying on the Mao Zedong spirit and promoting modernization at the same time. In one breath his faction took the stand of the so-called "Two Whatevers," that is whatever decision made by Mao was right and whatever policy he pursued was right. In another breath it pushed "four modernizations" stressing the need for economic efficiency. Theoretically, a dialectical synthesis of these two conflicting lines might have been possible. But when an attempt was made to put them into practice, the two goals came into conflict with each other.

In fact, Hua set these conflicting goals because he was caught by the trap of history. Inasmuch as he was able to come into power on Mao Zedong's coattails, he was not in a position to reject the Mao line, the line of his deceased guardian. On the other hand, the tide of the times was flowing in the direction of de-Maoization, making it impossible for Hua, who had some measure of political sense, to totally ignore the demand of reform. In a sense his fate was already sealed.

Hua's political fortune originated in his personal ties with Mao Zedong. He came to power and was able to maintain his regime for a while in the shadow of the late leader Mao's towering image. His fall also coincided with the liquidation of the Mao era.

Kim Chong-il, the Kim Guofeng of North Korea?

As things stand now, it is almost certain that Kim Chong-il will accede to power on the footsteps of his father. But like Hua Guofeng of China, he has very little latitude in setting policy directions for his regime. Chances are very high that while taking an equivocal attitude caught between the need for "toeing the Kim Il-sung line" and that for de-Kimilsungization, Kim Chong-il will end up shortening his own political life.

Soon after graduating from Kim Il-sung University in 1964, Kim Chong-il began to receive political training as a guidance worker at the Organization and Guidance Department of the Korean Workers Party [KWP]. He was promoted to the post of head of the cultural and art guidance section of this department in 1967, and this marked the starting point of his journey on his way to becoming a so-called propaganda and agitation whiz. Subsequently he developed the "Juche theory of literature and art" and devoted himself to its application, creating "Sea of Blood," "Flower Girl," and other operas by his own hand.

So far Kim Chong-il's party activity had been concentrated on the propaganda and agitation field. In the middle of the 1970's, his scope of activity began to expand gradually. This marked the beginning of his training to become a full-fledged successor. At the Sixth KWP Congress in 1980, he was elected as one of the four Standing Committee members of the KWP Political Bureau, and also as a member of the KWP Military Affairs Committee at the same time.

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Kim Chong-il set up the State Security Agency [kukka powoebu] in November 1973, an intelligence organization, and began to get involved in political operations. Through this organization he weeded out one by one the persons who stood in the way of the succession arrangement. For instance, he made an extensive investigation into the wrongdoings of Kim Song-ae, Kim Il-song's wife [Kim Chong-il's stepmother], with whom he was said to have a rather personal feud, and reported the results to his father, who barred his wife from appearing in any official functions from then on.

Kim Chong-il's greatest weakness is his tenuous control over the military. Aware of this weakness, Kim Il-sung took a series of measures to prepare a military power base for his son beginning in 1991 when the senior Kim became 80 years old. Kim Chong-il was installed as the supreme commander of the North Korean armed forces [KPA] with the title of "marshal." He also became chairman of the National Defense Commission. However, Kim Il-sung still held on to his post as chairman of the KWP Military Affairs Committee, the supreme organization of the North Korean military.

What was worse, Kim Chong-il lacked his father's charisma with which he controlled the military. Kim Il-sung's military career was raised to the level of legend thanks to his guerrilla experience, true or false, and to the Korean war. On the contrary, Kim Chong-il's military experience was too scanty.

In this connection, we need to draw an analogy between Hua Guofeng and Kim Chong-il. The major factor that had a great impact on the political ascendancy of these two men was their experience in the field of propaganda and agitation. This is not a coincidence, but it relates to the course which those who are on the inside track for promotion usually take, not on the merit of their abilities, but by riding on the coattails of their powerful patrons. Another common denominator is that they reached the zenith of power before they attained full control.

A weak political power base is also their common weakness. In Hua Guofeng's case, he practically had no organ base. In Kim Chong-il's case, he has had the "Three Revolution Teams" as his power base since 1973. However, this organization was not a spontaneous one, but was organized from the top down. In this sense, there is a limit to its political influence. In China, for instance, the "Gang of Four" organized the "Cultural Revolution Leading Group" to serve as their political base, but it played no useful part at a decisive moment.

Even if Kim Chong-il succeeds to the posts of head of state, general secretary of the party, and chairman of the Military Affairs Committee of the party Central Committee as his father's footsteps, "from one generation to another," one can hardly conclude by this fact alone that he has brought North Korea's power structure completely under his control. Even if another person should hold one of these three posts, that fact could not be used as a barometer for measuring Kim Chong-il's power grab. The reason is that although Hua Guofeng unprecedentedly was at the top of all party-government-military powers, his political grip remained precarious, and by the same token there is a strong possibility that a similar situation will develop in North Korea. In other words, Kim Chong-il would get caught in the dilemma of having to push countermeasures for the continuation of the Kim Il-sung line and de-Kimilsongism.

For this reason, we need to compare Kim Chong-il's stand with Hua Guofeng's stand. While looking upon himself as Mao's successor, Hua advocated the theory of "Two Whatevers," and at the same time, actively pushed for a Maoist "modernization" drive, and fell on the end by getting caught in the trap of history.

"Trap of History" for Dynastic Succession

Actually, what is the trap of history for Kim Chong-il? Let us delve into this question in detail by examining what attitude he might take with regard to the three immediate issues confronting North Korea, namely, economic problems, the issue of opening to the outside world, and the question of North-South relations.

First, Kim Chong-il will exert utmost efforts to resolve economic problems by betting the fate of his regime on the outcome. Under the circumstances in which the living standard is rapidly improving in neighboring China, North Koreans will feel their poverty all the more keenly in comparison with China rather than South Korea. Ultimately, Kim Chong-il will do his best to revitalize the economy by mobilizing the technocrats around him. This will make him reach the point where he will have no choice but to abandon the cardinal principles of the state-centered stand, the predominance of government, and self-reliance, the main pillars of the Kim Il-sung image.

When we look upon the past, we notice that the arrangement for the dynastic succession of power in North Korea proceeded in full force when the North Korean economy entered a period of decline. Up until 1975, there had been not much of a gap between South and North Korea in terms of the per capita income, with $591 and $579, respectively. With the gap in the per capita income beginning to widen between the two different systems, the North Koreans began to feel the pains of "three shortages." Particularly since the early 1990's when North Korea switched to a full-scale arrangement geared to the dynastic succession of power, the North Korean economy has registered a minus growth for the fourth straight year.

If a complete image change from the positive Kim Il-sung to the negative Kim Il-sung takes place, would the North Koreans trace the responsibility for the past ills back to Kim Il-sung? In China, the Chinese people have not completely negated Mao's image although more than 20 years have elapsed since his death. Of course, they

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deeply paint out his mistakes during the Cultural Revolution, but do not directly blame him for the economic failure in this period. In North Korea there is a strong probability that Kim Chong-il rather than Kim Il-song will be held accountable for the economic failures in the past 20 years and more since the 1970's.

Second, Kim Chong-il is also expected to show a non-committal attitude on the question of opening to the outside world. Opening to the outside world will be the only quick way to free North Korea from three shortages, namely, the food shortage, the fuel shortage, and the foreign exchange shortage. Of course, the Kim Il-song regime began to realize the importance of opening in its last days. But it is really questionable whether Kim Chong-will be able to cultivate an atmosphere conducive to promoting cooperation with foreign countries while maintaining the so-called "chuche stand" as skillfully as his father.

Most of all, unlike his father, Kim Chong-il has very little direct experience in foreign affairs and lacks experience in leading diplomacy in the vanguard. Unlike his father, he seldom traveled abroad and has had practically no direct exchanges with foreign leaders. Given this background, it is highly possible that his foreign policy will lack consistency. In other words, he will vacillate between "chuche" and "opening to the outside world." Some foreign observers say Kim Chong-il, who has gotten somewhat deeply involved in foreign affairs, has both dovish and hawkish elements in him. From this comment, one may surmise that Kim Chong-il's foreign policy line is likely to vacillate when he comes into power.

Third, on the issue of inter-Korean relations, Kim Chong-il is expected to vacillate between the Kumsusanpae and non-Kumsusanpae stands. First of all, although the arrangement was already made for a meeting between Kim Il-song and our president, it would not be easy for Kim Chong-il to weigh the merits and demerits of attending a North-South summit meeting in his deceased father's place. He could push for a summit in the interest of the legitimacy of his regime and the dynastic continuity, but on the other hand, it would not be easy for him to readily attend a North-South summit meeting because unlike his father, he has only a limited experience in getting in touch with top foreign leaders.

Kim Chong-il will vacillate also on the issue of North-South exchanges, including inter-Korean economic cooperation. Naturally, South Korean entrepreneurs are potentially the most positive customers of the North Korean market. He might push for North-South exchanges to resolve the urgent economic problems, but the situation might arise intermittently where exchanges would be suddenly called off for fear that South Korea's relative superiority should become too conspicuous to every one in the North. Because of inconsistent economic exchanges, South Korean businessmen might have no choice but to take a wait-and-see attitude for a considerable length of time. As a result, North-South exchanges might go through many turns and twists.

North Korean society will desperately struggle to free itself from the towering shadow of Kim Il-song. On the other hand, Kim Chong-il, the dynastic successor, would have only a very limited choice of action, and for this reason, his political fate might be very shaky. There is a strong probability that while dashing this way and rushing that, he will end up treading Hua Guofeng's steps.

In that event, who would assume a role similar to that of Deng Xiaoping, who put an end to the Hua Guofeng era and opened a new era by accomplishing the total liquidation of the Mao era?

Deng Xiaoping's Reform

The new era of openness and reform was unveiled by the emergence of Deng Xiaoping, the little giant.

Deng joined the ranks of revolutionaries when he was in his teens, but he did not distinguish himself at first. He joined the ranks of revolutionaries when he was in France. Upon returning home from a five-year stay abroad, he was active as a middle-level cadre. In this process he experienced mishaps as well as party life and got in touch with the military community.

When the PRC was established, Deng made his political progress as administrator. After being appointed as vice premier in 1952, he began to carry out his full-fledged activities at the center rather than in rural areas. When he moved to Beijing, the foremost immediate problem was how to rebuild the war-torn economy. In those days the Chinese economy was totally devastated by the two protracted wars—the anti-Japanese war that lasted over 10 years, and the civil war that dragged on for about five years. Under these circumstances, Deng played a successful role as an economic minister of the State Council.

However, his political future was far from smooth sailing. True to his character as a pragmatist, Deng did his best to avoid getting involved in political polemics. But during the Cultural Revolution, he became a main target of attack, and as a result, he had to vacillate in a remote frontier region for "self-transformation." Nevertheless, he did not get his party membership revoked.

Deng suddenly staged his comeback to the central political stage in 1973, when he showed up on an official occasion in his capacity as vice premier. Of course, his rehabilitation was staged with Mao's approval. What made the leaders of the Cultural Revolution, including Mao, reinstate the man whom they once purged?

When Deng was rehabilitated, Mao was already keeping his hand off the day-to-day policy decision-making process. Premier Zhou was in the middle of fighting against his cancer, and Zhu De, the godfather of the Chinese military, and others were enjoying the end of their natural lives. In a word, because the leaders who had led the

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PRC, until that time were nearing the end of their natural lives, it was necessary to find someone to fill the vacuum.

Moreover, there was a strong possibility that the military, which began to exercise a strong political influence during the Cultural Revolution, would be divided when Mao died. It was possible for the era of the warlords in the early part of the 20th century to reverse China. What was worse, the forces of the "Gang of Four" failed to muster support from the military. Given these circumstances, Deng, who had broadened his experience and personal ties in the party, government, and military, was the only choice to block the advent of another "era of the warlords."

But Deng fell after Zhou Enlai died. A group of demonstrators mourning his death during the Qingming festival in 1976 suddenly turned into anti-government demonstrators, and in the ensuing power struggle, Deng was defeated.

In July 1977, after the death of Mao and the fall of the Gang of Four, Deng staged another comeback to the political stage. During the 1978 Third Plenum of the CPC Central Committee, he seized power by shoving out Hua Guofeng. But he did not monopolize all three top seats of the party, government, and military. He adopted a collective leadership, teamed pantis with Hu Yaobang, Zhao Ziyang, and Jiang Zemin and assumed his patch holder's role behind the screen.

Deng Xiaoping's reform system has endured already for the past 15 years. Most of all, contrary to Hua Guofeng's noncommittal attitude, Deng completely did away with the "proletarian dictatorship" and other doctrines carried over from the era of Mao Zedong, and actively pushed for "four modernizations," and granted the demand of the intellectuals for "liberalization," thereby spearheading change to suit the tide of the times. Specifically, he came out with the new slogan "Seek truth from facts." The new slogan signified a radical departure from the era of the Cultural Revolution (1966-76), which overemphasized the importance of ideological and political struggle.

In short, Deng Xiaoping was not caught by the trap of history which had ensnared Hua Guofeng. This was made possible by Deng's personal ability on the one hand, and on the other, by the fact that history assigned him a mission different from Hua's. At any rate, with the birth of the Deng Xiaoping regime, the Chinese socialist system has been able to avoid collapse for now.

Kim Yong-chu's Mysterious Comeback

Kim Yong-chu, Kim Il-song's younger brother, was once recognized as a potential successor, but with the rise of Kim Chong-il, he lost his position. But shortly before his death, Kim Il-song reinstated him. The stability of the Kim Chong-il regime depends largely on how Kim Yong-chu will move. In fact, Kim Yong-chu's comeback in the last days of Kim Il-song is enough to remind us of Deng Xiaoping of China.

Kim Yong-chu was born in Mangyongdae, Taedong County, South Pyongan Province in 1922. Mangyongdae is where Kim Il-song was born. This draws a clear line of distinction between Kim Yong-chu and Kim Chong-il, who was born in Moscow. In a word, the uncle is more "chuche-oriented." Like his brother, Kim Yong-chu joined the anti-Japanese guerrillas as a member of the partisan youth corps in 1937.

Kim Yong-chu followed his brother to the Soviet Union in 1941. He graduated from the University of Moscow Political Economics Department in 1945. He completed a research course at the Moscow Higher Party School in 1952. Later he returned to North Korea and took a political path similar to the one his nephew took later. He successively became a guidance worker at the KWP Central Committee Organization and Guidance Department in 1954, chief of the guidance section of the same department in 1957, director of the same department in 1967, and a member of the Political Bureau of the KWP Central Committee in 1969.

Kim Yong-chu in his capacity as chairman of the North-South Coordinating Committee issued the 1972 North-South joint statement with Yi Hu-rak, then director of the Korean Central Intelligence Agency [KCIA]. With this as an occasion, his name became known even to us. For this reason, he is closer to us than Kim Chong-il, whose identity is shrouded in a veil. Nevertheless, very little open information is available on Kim Yong-chu either.

Contrary to the early speculation that he would succeed to Kim Il-song in power, Kim Yong-chu had been relieved from all public offices since 1975 until his recent comeback. Most probably, that may be the reason why very little information on him trickled out in the past. He was said to have been recuperating in Chasi, North Hamgyong Province since then. His protracted exclusion signified that he was pushed out after being defeated by Kim Chong-il in the power struggle. When the remains of Kim Il-song were put on public view for the first time a few days ago, Kim Yong-chu's healthy look appearing on the TV screen belied the rumor that he had a very serious health problem.

Interestingly, Kim Yong-chu returned to the forefront of power last December for the first time after 18 years of seclusion. He was named by the party plenum and the SPA as vice chairman of the party and concurrently member of the party Political Bureau. He ranks seventh in the party hierarchy. The change of his stature was clearly corroborated by the list of members of the preparatory committee for Kim Il-song's funeral, which included his name.

How could Kim Yong-chu, 72 years old, be able to make his comeback? Put in another way, at a time when the arrangement for Kim Chong-il to succeed his father in power from one generation to another was in the finishing stage, why did Kim Il-song reinstate his brother, who was once his son's rival?

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First of all, speculation was rife that Kim Il-sung called back his brother, who is an elder in the Kim clan, to forestall any feud that might crop up after his death. The Kim Il-sung regime was packed with his relatives by birth or by marriage to the extent that even Kim Kyong-hwa, Kim Chong-il's younger sister, occupies the post of director of the light industry department of the party. Therefore, the stability of the Kim clan will be closely linked to the post-Kim Il-sung regime. If Kim Yong-chu was reinstated for this reason, it indicates that he has an ability to pull the Kim clan together, at least in the eyes of Kim Il-sung.

Second, when Kim Yong-chu was reinstated, there was the rumor that he was put in command of the Najin-Sonbong economic zone. This zone is a concrete embodiment of an open economy, which North Korea regards as Ch'a t'ongp'an in its economic revitalization. Up to now Kim Chong-u, chairman of the Committee for the Promotion of Economic Cooperation With Foreign Countries, has been in charge of this zone. Most probably, in view of the importance of the Najin-Sonbong economic zone, Kim Il-sung must have concluded that Kim Chong-u, a practical economic technocrat, alone was not enough to control this zone. If that is the case, it might be said that Kim Yong-chu was reinstated because Kim Il-sung recognized his capabilities in the economic domain.

Third, speculation was rife immediately after Kim Il-sung's death that Kim Yong-chu would assume the presidential post. Despite the slim chance of his becoming the president, the reason he became a focal subject of discussion is interesting. Analysts mainly point out that unlike his nephew Kim Chong-il, Kim Yong-chu enjoys a relatively high popularity with the masses. While views on Kim Chong-il's public image vary, views on Kim Yong-chu are rather positive on the whole.

Kim Yong-chu's comeback is enough to remind us of Deng Xiaoping at the closing days of the Mao era, all the more so when it comes to the experience and leadership capability of the two. If so, the question remains, Will Kim Yong-chu be able to reenact the process by which Deng Xiaoping was eventually able to seize power in China?

Possible Emergence of Kim Yong-chu Regime

Should the Kim Chong-il regime collapse, probably a reformist regime under a collective leadership like the present Deng Xiaoping system in China may appear in North Korea also. The new regime would be charged with the mission to carry out reform and opening, the same mission originally entrusted to Kim Chong-il. In this case, there should be a leader who would lead the flock in reality by calling the tune behind the scenes as Deng did, instead of commanding in the forefront of power. There is a strong possibility that Kim Yong-chu will play this role.

First, Kim Yong-chu's background makes him a likely alternative to Kim Chong-il. Most of all, he has experience in the anti-Japanese struggle, and he is a younger brother of Kim Il-sung, who was a superhuman leader. Kim Yong-chu's experience in the anti-Japanese partisan fighting is quite comparable to Deng Xiaoping's experience in Yenan, and this background would enable Kim Yong-chu to placate the dissatisfaction of the former anti-Japanese guerrillas constituting the first generation of the revolution, whose observers regard as a potential threat to the Kim Chong-il regime. On the other hand, his blood ties with Kim Il-sung would be a plus rather than a minus in nurturing his own political charisma. On this score, Kim Yong-chu has an advantage over anyone who is not related to the Kim Il-sung clan.

Second, Kim Yong-chu can be relatively free from the negative political heritage left behind by Kim Il-sung. In particular, in the period during which North Korea experienced an economic bankruptcy, Kim Chong-il's political fortune was in the ascendance whereas his uncle, Kim Yong-chu, had to live in seclusion. If Kim Yong-chu emerges after all the blame for Kim Il-sung's failed economic policy is laid on Kim Chong-il, he would be able to calmly liquidate the aftermath of the Kim Il-sung era with no sense of political burden at all.

Third, in the eyes of the North Korean elite Kim Yong-chu could be seen as a man with an ability to solve the immediate problems confronting North Korea at this time. In dealing with North Korea's immediate major problems—economic troubles, the problem of opening to the outside world, and the problem of North-South relations—Kim Yong-chu has already had some experience or at least has shown that he would be capable of solving them. First, he played a leading role in restarting North-South dialogue, and he has a rich experience in diplomacy. In addition, his reputation for competence in economic management is so high that an unconfirmed report is going around that he was placed in command of the Najin-Sonbong economic zone.

Particularly with regard to the issue of opening to the outside world, Kim Yong-chu has an advantage over Kim Chong-il. Kim Chong-il has had little experience in foreign travel since his youth, whereas Kim Yong-chu not only studied in the University of Moscow but also has had relatively rich overseas contacts. He visited Romania in 1970, and in 1974 he visited Egypt, Syria, Iraq, Romania, and Hungary. In addition, he had opportunities to get in touch with many foreign leaders while serving as vice premier of the State Administration Council.

Lastly, given the situation surrounding the Korean peninsula, chances are high that North Korea's ultimate choice will be Kim Yong-chu rather than Kim Chong-il. First, our own society does not want any convulsive change in North Korea. Some people were shocked by Kim Il-sung's death or felt they were missing something

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because they wanted stability on the Korean peninsula. It was in the same vein that some in our government are resigned to Kim Chong-il's de facto regime.

Further, the existence of China is a factor that is preventing a complete collapse of the North Korean establishment. Because North Korea shares borders with China, a complete collapse of the North Korean regime could set off a domino effect in reverse, leading to a crisis in the Chinese socialist system. For this reason, the Chinese leadership has quickly come out in support of the Kim Chong-il regime. However, if the Kim Chong-il regime should totter, China might not blindly support it.

From the stand point of China and other countries which want the status quo on the Korean peninsula, they would hope for the appearance of the kind of regime that would bring about practical change while maintaining an outward continuity from the Kim Il-song regime. In other words, for these countries the most desirable regime will be one that while highlighting the "Kim Il-song heritage" on the surface, will in reality accomplish a complete "de-Kimilsongization."

In conclusion, the hypothetical scenario of the transitional period under Kim Chong-il, followed by the Kim Yong-chu reform regime, is based on the premise that Kim Chong-il would not last long because he would not be able to free himself from the trap of history, but the surrounding circumstances would not trigger the collapse of the North Korean system establishment. On this same premise, the author attached a considerable weight to Kim Yong-chu's reemployment before the death of Kim Il-song and singled him out as a would-be alternative to Kim Chong-il.

◦ NUB Still Behind NSP; Political Mandate Urged

◦ NUB Needs Power, Bigger Budget

SK2CO97A Seoul CHUGAN CHOSON in Korean 11 Aug 96 pp 32-34

[By reporter Song Ui-gab—first paragraph is CHUGAN CHOSON introduction]

[Text] Is the National Unification Board [NUB] the organ that will propel the era of unification? The situation in North Korea and North-South relations in the wake of Kim Il-song's death remains literally uncertain. Under these circumstances, does the NUB have power commensurate with its role as the agency in charge, headed by a deputy prime minister? Recently, these and other questions have been raised in various circles concerning the NUB, which is supposed to be the highest policy making and administrative organization in charge of North-South relations and the unification issue.

All these questions about the NUB have one thing in common, that is, that the NUB has such a low stature in reality that it has a minimal say inside and outside the government. The case in point is the "power game" that evolved among major ministries in the process of discussing countermeasures to cope with the North Korean announcement last March threatening to withdraw from the Treaty on the Non-Proliferation of Nuclear Weapons [NPT]. The ministerial conference on unification issues, attended by the NUB Minister, the director of the Agency for National Security Planning [NSP], and the ministers of foreign affairs and national defense, initially agreed to promote North-South exchanges and cooperation, including economic cooperation, as much as possible, irrespective of the nuclear issue, and reported the results to the Executive Office of the President [Chongwadae]. But President Kim, reflecting the opinion of the NSP, instructed that "there will be no North-South economic cooperation unless the nuclear issue is resolved." As a result, the ministerial conference made a 180-degree turn and adopted a final decision in line with the president's instruction. Inasmuch as the NUB minister with the rank of deputy prime minister, is the chairman of the ministerial conference on unification issues, which includes the NSP director among its members, the opinion of the NUB minister should, as a matter of principle, carry more weight. As it was, the NSP opinion, backed up by classified information, and forwarded to the president through a separate channel, carried the day.

That was a symbolic case that shows that even under the new government, the NUB, though upgraded in December 1990 as a ministry headed by an official with the rank of deputy prime minister, exercises only the same level of influence as before. The problem, however, is that this state of affairs is taken as no surprise or nothing new, and even taken for granted accordance with the precedents.

An NUB official said: "Up until the end of the Sixth Republic, the NSP in fact took the initiative on matters relating to North Korea and unification policy. On the other hand, the NUB and other ministries played second fiddle to the NSP. This practice is still taken for granted not only within the government but also among the public, and this is one of the obstacles that need to be cleared to improve the NUB's stature at present."

The NUB was established on 1 March 1969 for the purpose of making comprehensive surveys and research on issues relating to national unification and administering pertinent policies. The NUB's main business in its early days was to conduct survey, research, education, and public information activities. It is a well-known fact that the then Central Intelligence Agency [KCIA] took the initiative on the ROK side to the rounds of North-South dialogue, which took place alternately in Seoul and Pyongyang in the 1970's.

Nevertheless, the general view is that the NUB began to expand in October 1980 when it absorbed the North-South Dialogue Coordination Bureau (now the Secretariat for North-South Dialogue), which then belonged to

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the KCIA. Subsequently, one big issue after another cropped up, such as the question of providing relief goods for flood victims, convening a North-South parliamentarians' conference, and holding high-level talks as well as sports and economic talks. Under these circumstances, there arose the practical necessity for an overall coordinating function to deal with issues involving North Korea. The NUB changed its name from *kukto tongil won* to *tongil won* in late 1990, and it was quickly upgraded to a second-ranking ministry after the Economic Planning Board [EPB].

In its early days, the NUB was a "ultra-mini" ministry, with only 45 employees working in three offices, namely, policy and planning, research, and education and information. But it is much bigger now. As of this July, 519 employees are working in the ministry, including the two attached organizations, namely, the Secretariat for North-South Dialogue and the Institute of Education for National Unification. But when it comes to the question: Does the NUB have sufficient power and stature commensurable with its growth in size? The answer is predominantly no.

Inadequate Information, Personnel, Budget

In the past 25 years and 6 months since the NUB was established, there have been a turnover of 20 ministers all together from Sin Tae-hwan, the first minister, to the incumbent minister, Yi Hong-ku. Each minister served for slightly over 1 year and 3 months on the average. Frankly speaking, with this short term in office, it is impossible for them to work out and implement any long-range plan according to their convictions. In addition, except for only a few "influential ministers," most of them landed on their jobs on appointments made with an eye to "regional balance" or by a "rotation system." As a result, the NUB's stature was not based on the built-in legal ground, and it suffered from a vicious repetition of ups and downs according to the whim of the president or the political weight of the ministers themselves.

The NUB does not have its own function for collecting information on North Korea, and this is a fatal weakness of the ministry. The six employees of the news and information section of the Office of Information Analysis monitor the North Korean Central Broadcasting Station and Radio Pyongyang for 24 hours a day, and this is about all that the ministry does to collect information on North Korea. It runs hard to obtain the latest information from NOEDONG SINMUN, defectors, and travelers returning from North Korea. But it is said that this is not much of help.

That is why the NUB relies on the NSP and the Ministry of Foreign Affairs, each of which has resident officials stationed in China, Japan, and other countries where information on North Korea is available. But it is said that neither of them seldom pass on "cream of information" to the NUB. That is why some critics say sarcastically: "It is the NSP that writes the script on North Korea affairs and produces the show, and the NUB is nothing more than an actor."

To use a metaphor, the NUB has only a large head, with no "hands and feet" with which to run about threading its way through the streets of information. On the contrary, up until last year the NSP, which has practically a monopoly of information on North Korea, conducted security or intelligence inspections from time to time, causing a further shrinkage in the activities of the NSP. The same is true with the NUB budget and manpower. The NUB's general budget sharply increased from 95 million won in 1969 to 2.51 billion won in 1980, and further to 24.1 billion in 1994.

However, the NUB budget as a percentage of the government's total budget still remains flat at a low level of 0.06 percent. The budget of the West German Ministry of Inner-German Relations, the West German counterpart of the NUB, accounted for 0.4 percent of the FRG's annual budget on the average. The NUB budget is slightly over 1/10 of that of the West German Ministry of Inner-German Relations. An NUB official complained, with a little bit of exaggeration: "Other ministries, if they decide, can lobby the EPB, the ministry in charge of the budget, in various ways in order to secure a bigger budget. But the EPB does not even have an expense account to pay for any lobbying expense."

In the case of the NUB, of the total number of employees, 111, or over 20 percent, are special appointees without job security. Those who passed the higher civil service examination among officials with the rank of Grade-3 or higher are so few that they may be counted on the five fingers. This is also noted as "Achilles' heel" when viewed from the standpoint of training experts on the unification issue. The Committee for the Peaceful Unification of the Fatherland, an North Korean counterpart, has as many as 300 "dialogue functionaries" [tamhwa illkkun] who have been handling issues concerning North-South relations for over 20 years, and most of them are the cream of the elite graduated from Kim Il-sung University. This is very suggestive.

In this connection, the inauguration in early June of the 10-man "NUB Development Committee" [Tongbaiwi] staffed by section chiefs of each office and bureau of the NUB is regarded as a belated but appropriate move designed to upgrade the NUB's competitiveness. The Tongbaiwi has adopted the basic principle that the NUB will do away with the past passive work style of giving priority to managing efforts to cope with the situation created by national division and shift the priority to making practical preparations to cope with rapid progress in North-South relations. It is also said that the Tongbaiwi has embarked upon overhauling the NUB in all aspects including the personnel, structure, and budget.

Professor So Hyong-chol at the Institute for Foreign and Security Affairs made the following comment: "In the

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case of Germany, the Ministry of Inner-German Relations not only collected information and coordinated the related functions of other ministries but also handled practical matters, such as taking charge of exchanges of political prisoners." He added, "Inasmuch as the NUB is an organization with a limited life span because it will disappear the moment unification is achieved, the government should seriously study the question of enacting a special law by transcending departmental interests in order to bring unification-related functions currently scattered throughout various ministries under a unified command and cope with developments effectively."

* NUB, EPB Compared

96JC0397B Seoul CHUGAN CHOSON in Korean 11 Aug 96 p 14

[By Reporter Sin Chong-seok]

[Text] The EPB was the engine that thrust the 1960's period of development. After the 1980's, the voice of outsiders demanding that the EPB be brought down a peg or two became louder and it has continued to rise ever since. The EPB carried out a downsizing in January for the first time since its inception. But it is still a powerful ministry in charge of budget and planning and coordination.

The NUB is the engine which will thrust the era of unification. It is an up-and-coming ministry. Passing the stage of concentrating on research and information activities, it was given a new power in 1990 when the rank of its minister was upgraded to that of deputy prime minister. The size of its organization quadrupled since 1988's.

For the time being these two ministries will play the role of "the two horses of the hall" as leading agencies of the administration in striving for the two major goals of our time, namely, making a full-fledged entry into an advanced economic stage and achieving national reunification. However, their "current stature and ability" does not match this description. The EPB is still powerful whereas the NUB has been unable to shed the image of "the hollowness of its power."

What strikes the eyes first is the EPB's personnel composition. Currently, its total personal strength is 832, including specialists. Of the total, only 18 are special appointees. In the NUB, however, special appointees number 111 among the total 519 employees. The reason the NUB has so many special appointees is that since its inception in 1969, it has drawn personnel from various fields. There are very few employees who passed the higher civil service examination and have gone through the regular career courses. Among the officials with the rank of Grade-3 or higher, those who passed the higher civil service examination are so few that their number can be counted on the fingers. On the other hand, most of the EPB officials with the rank of Grade-3 or higher passed the higher civil service examination. A large number of special appointees does not necessarily have direct bearing on the "quality of manpower." This situation nevertheless must have something to do with the complaint about the NUB's shortage of experts often voiced within and without that ministry.

The same is true with the budget. The 1994 NUB budget is 24.1 billion, or 0.06 percent of the total national budget. On the other hand, the EPB budget is 64.7 billion won, or approximately 15 percent of the total national budget. The EPB has 37 percent more employees than the NUB, but its budget is nearly three times as much as the NUB budget. Inasmuch as different ministries have different duties, making this kind of simplistic comparison is risky. NUB officials say that it is possible to perform the existing duties with the current level of its budget. But they point out that it would be a different story if the NUB is to perform its intrinsic duty to "make preparations for unification."

Be that as it may, what NUB officials are more concerned about is not so much these outward problems as the "inner feeling of listlessness." The NUB cannot have a say while being kicked around by the Chongwadae, the Office of the Prime Minister, the Ministry of Foreign Affairs, the NSP, and other concerned ministries. NUB officials point out that this sort of thing never happened when the EPB was on its heyday.

* NUB Leaders, Workers

96JC0397C Seoul CHUGAN CHOSON in Korean 11 Aug 96 pp 16-17

[By reporter Ku Sung-chae]

[Text] According to the NUB authorities, the present atmosphere of the agency is better than it was under any previous minister. They say there is harmony between the leadership of Deputy Prime Minister Yi Hong-ku, who excels in logic and persuasiveness, at the summit, and his Vice Minister Song Yong-tae, who has an outstanding administrative and organizational skills, and the assistance of the heads of various offices and bureaus who back them up. Deputy Prime Minister Yi's conservative line sometimes came into conflict with some working-level officials of the NUB and the opposition parties, but the NUB authorities say that "this posed no obstacles to the general operation the NUB."

To the author's passing question: "How do you feel about serving under the present deputy prime minister?" NUB officials answered: "Very good." They give very high marks to Yi Hong-ku, who is in charge of the NUB for the second time. Last time he was the NUB minister for 11 months from February 1988 through March 1989. They never fail to mention that in a recent WOLGAN CHOSON poll, NUB officials with the rank of Grade-3 or higher chose Yi Hong-ku as "the best of all the successive NUB ministers in the past."

Deputy Prime Minister Yi Hong-ku has a brilliant personal history—he successively served as university professor, NUB minister, special presidential assistant for

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political affairs, ambassador to the United Kingdom, and became NUB minister once again. He has special chemistry in him that makes others feel at ease. Once he served as chairman of the Committee To Invite the 2002 World Cup Soccer Games to Korea, and he is quite well known overseas. When he visited the United States on 16 July on connection with the activities of the World Cup invitation committee, he had a talk with former Secretary of State Henry Kissinger. According to Deputy Prime Minister Yi's entourages, foreign ambassadors stationed in Korea have a favorable opinion of him. His relationship with U.S. Ambassador Lauver is so close that they address each other by their names of endearment. He has a good command of English.

His "achievement record" during his first tenure as NUB minister was quite impressive. Among his achievements were the working out of the "7 July Proclamation" and the formulation of "the Korean national community formula for unification." While selling his idea about unification to the presidents of the opposition parties during the period of the minority government, he found favor with President Kim Young-sam (then president of the Reunification Democratic Party [RDP]). It is the consensus of public opinion that he is the right person as NUB minister in view of the volatility of North-South relations.

NUB Vice Minister Song Young-tae, a Yonsei University graduate, is quite familiar with administrative matters. Since he joined the NUB in 1972 while working as a journalist, he has gone through almost all posts in the government.

It is said that during the last presidential election, Song played an advisory role for President Kim Young-sam, then a presidential candidate, on the unification issue. He is known for his calm temperament and logical thinking.

Park Yong-soo, director of the Office of Planning and Management, has many acquaintances, particularly he has a lot of personal ties in the national assembly. When he served on the LDP Expert Advisory Council, he reportedly played a part in formulating the DLP platforms on policy toward North Korea for the presidential election campaign. He was transferred to this post while he was a member of the advisory council for the Secretariat for North-South Dialogue. Some say he is a man with a "sense of duty" toward his superiors. He negotiates with EPB and the National Assembly on the NUB budget, handles personnel affairs, and takes care of other NUB business.

Ku Pyo-tae, director of the Office of Unification Policy, a graduate of the Seoul University Department of Foreign Relations, served as professor at Chungnam University after working for the NUB for a while. Later he returned to the NUB, where he was a coordinator at the Secretariat for North-South Dialogue. He then served as director of the Office of Unification Policy under then deputy Prime Minister Han Wan-sang, and subsequently was transferred to the Secretariat of North-South Dialogue as its director. He is currently in charge of the Office of Unification Policy for the second time. He is the first person to serve as director of the Secretariat for North-South Dialogue with no NSP background. He is overflowing with enthusiasm for work. According to critics, Ku is well versed in unification theories and has as good a sense of reality as any other. People around him say that when he was young, he had "quite a strong thrusting power."

According to an NUB authority, Chong Tae-hwa, director of the Office of Information Analysis is "second to none in his ability to analyze various pieces of material and information on North Korea." Really, he has served for long at the Office of Analysis and successively served as professor at the Institute of Education for National Unification and as a member of the advisory council for the Secretary for North-South Dialogue. A graduate of the Seoul University Department of Political Science, he is an expert in the "painstaking work" of picking information on the moves of key North Korean leaders from various North Korean media reports by reading between the lines.

Kim Young-il, director of the Bureau of Exchange and Cooperation, who has a doctor's degree in jurisprudence, studied in England for 1 year. He is a profound knowledge on legal issues relating to North-South exchange and cooperation. While serving at the Office of Unification Policy, he prepared "the backbone of unification policy." On the other hand, Kang, director of the Bureau of Education and Public Information, joined the NUB when it was first established, and subsequently served for long as planning and management officer. He has views of his own concerning the organization, budget, and operation of the NUB.

Chong Se-hong, director of the Secretariat for North-South Dialogue, is one of those who cannot be left out in introducing a who's who of the NUB. A former NSP officer, he joined the Secretariat for North-South Dialogue when it was first established in 1973. Having served in the secretariat for over 20 years since then, he may be called the "guardian" of the NUB. He, a "Confucian man given to principles," is reputed to be one of those experts who have a profound knowledge of about North Korea. Park Chan-se, director of the Institute of Education for National Unification, is also a "living witness" of the NUB. He, a Korea University graduate, worked at the Chongwadae Secretariat during the Third Republic. Later he joined the NUB, where he consolidated the foundation of the NUB while successively working as director of the Office of Education and Public Information and director of the Office of Planning and Management.

In addition, The following are noteworthy officials: Kim Hyong-o, first policy officer; Yu Wan-sik and Kim Tal-sup (Advisory Committee members) of the Secretariat for North-South Dialogue; Yi Chan-ho, senior

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liaison officer Pak Ung-hun, first analyst Pak Song-hun, senior secretary Yi Ho, second analyst, and Cho Kun-sik, second policy officer. According to critics, Analyst Pak Ung-hun and Senior Secretary Pak Song-hun stand out for their competence and logical work style whereas Second Analyst Yi Ho and Second Policy Officer Cho Kun-sik deduce long-range prospects from small clues found in North Korean materials. Information Officer Kim [Kwang-sung], who has an "outstanding" power of judgement and intellectual tensile strength, is the one who exclusively writes the scripts of any announcement of the ROK side to North-South dialogue. The two Advisory Committee members and Liaison Officer Yi Chun-ku are known for their "expertise" on matters relating to North-South dialogue because they have been dealing with North Korean affairs for long. All these officials are special appointees, and they constitute the mainstream of the NUB.

The number of regular appointees has increased gradually since 1980, and currently, a total of 70 regular appointees are working at the NUB. Despite that the NUB has only a limited life, they opened the NUB with conviction and pride to play their part in normalizing North-South relations. There are about 15 Grade-4 officials among them, and Kim Yong-sik, currently stationed in Germany, and Hwang Ha-su, chief of the general affairs section, are leading in the van.

There are quite a few Ph.D's in the NUB, among them are: Deputy Prime Minister Yi; Information Officer Kim Kwang-sung; Secretary Pak; Bureau Director Kim Yong-il; Yang Yong-sik, member of the Advisory Council for the Secretariat for North-South Dialogue; Professors Kang Ho-yang and Yi Chong-su at the Institute of Education for National Unification. With what kind of unification policy will the NUB—where special and regular appointees and Ph.D's are working together—"point" the ship of the state in the future? This is a question that certainly deserves attention.

* Comments by 4 NUB Ex-Ministers

[KUKTO'D Seoul CHOSON ILBO in Korean 11 June 94 pp 48-50

[A. Comment by Son Chae-sik, the 10th NUB Minister (January 1982–February 1985)]

[Text] Currently, there are two posts for deputy premiers in the Administration, one in charge of the EPB and the other in charge of the NUB. The EPB has enough power commensurable with its role as an organization in overall charge of the economy. The EPB is properly fulfilling its role as the organization representative of the whole government, with its various functions, such as budget control, price adjustment, economic planning, adjustment of foreign economic relations, and overall control over medium- and long-range economic development.

But the same is not true with the NUB. Only the rank of its minister is upgraded to that of deputy prime minister, and its authority and functions are grossly inadequate.

The unification issue is a matter requiring full inter-agency consultations. But no less important than full consultation is an overall coordinating function. Only when these two requirements are met is it possible to do things truly in an orderly and systematic manner. But it seems that the NUB is not fully playing such a role. Needless to say, differences of opinion among various ministries can be narrowed down and adjusted through inter-agency conferences, such as the conference of ministers concerned and the conference of bureau chiefs. Still, it is impossible to settle all matters through conferences. Different ministries could have conflicting views and interests. There may be an emergency situation. In a case like that like that, there should be someone to make a decision. But when I was the minister, the NUB was unable to play such a role. As different ministries handled problems in different ways, there was frequent confusion.

Now the situation is different. The NUB should be given sufficient power to play its proper role. There should be some supplement legal device requiring the Ministry of Foreign Affairs, the NSP, the Ministry of National Defense, any other ministries to consult with the NUB in advance before adopting these policies on unification issues.

Another problem is the manpower and budget. I think the NUB is short of experts, above else. North Korean officials handling South Korean affairs are veteran functionaries with many years of experience on the same job. Naturally, they must have excellent expertise. On the other hand, NUB officials lack expertise because our appointment system shifts people around from place-to-place. In addition, the size of the NUB manpower is numerically small. The opponent that the NUB has to deal with is not an ordinary opponent. It has to wrestle with North Korea. The NUB should further promote specialization in the future.

[B. Comment by Yi Se-ki, the 11th NUB Minister (February–July 1985)]

First of all, I think, the NUB budget is too small. I understand its current budget is in the neighborhood of 20 billion. Aside from making comparison with the budget of other ministries, that figure just corresponds to the size of the budget of a local county government. It is quite obvious that the NUB cannot function as an agency that is supposed to achieve national unification. Its budget must be increased if the NUB is to work as an agency to "make preparations for unification" by going beyond the level of making analyses and working out plans.

Another important thing is that an incentive system is needed for the NUB personnel. For government employees, the NUB is not a good place to be assigned. Only a sense of mission has sustained the current NUB employees on their jobs. The NUB is expected to be much busier in the future, but I wonder whether they can work properly under the existing conditions. The NUB

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personnel should be provided with conditions that will induce them to work enthusiastically.

The next question is that of information sharing. Failure to share information is one of the chronic diseases of our government, but in the NUB's case, it is the most vulnerable point. No one would object to the premise that the NUB should be the center for formulating unification policy. But the NUB has little intelligence function. Nor can the NUB effectively share information held by the NSP and other organizations. The NUB needs to conduct its own information collection activities, but it is impossible to do so now because there is no budget for them. Neither is it possible to increase the budget to the tune of 100 billion overnight. It follows that there should be smooth information sharing. But information sharing is yet to become a reality. They say things have turned better since the civilian government was installed. Still, there is much to be desired.

Dealing with all these problems in a comprehensive manner is an overall policy coordinating function. Despite its upgrading to an agency headed by a deputy prime minister, it is still questionable whether the NUB is actually playing a coordinating function. It seems that now is the time to make a firm decision.

C. Comment by Park Tong-chon, the 12th NUB minister (August 1985-August 1988)

I like to point out two things. First, it is a fact that the NUB is not in charge of unification issues. As I recall my days with the NUB, I got the impression that the NUB was pushed around by other ministries, particularly by the NSP. The NSP has the so-called North Korea Bureau in charge of overall intelligence. The NSP tried to have a say in its own way. Naturally, the agencies of the NSP and the NUB often came into conflict with each other. Although there was no open clash, their relationship was always ruffled. I hear that things have changed a lot, but I don't know how much better it is now.

The second problem is that of manpower. The first thing I noticed when I assumed my post as the NUB minister was the manpower problem. As you know, the NUB is more in need of people with good logical reasoning power than any other ministry. This is because North Korea does not release much information or material and we can hardly take whatever piece of information or material it releases at its face value. During my tenure, I got the impression that the NUB lacked personnel with logical reasoning power. The NUB people may not like to hear it, but it seemed that the NUB was not the place where outstanding personnel were brought together. The basic reason was that when the NUB was established, it drew people from various organizations, including the NSP. I was forced to think that with the given manpower, it was impossible to properly perform the work of analyzing information and working out countermeasures. Incidentally, let me point out that the level of expertise of some of our experts was very superb.

Then the question is, How should these problems be resolved? In brief, it all depends on the president. Only the president can direct the traffic and decide what is of primary importance and what is secondary. The current heads of the NUB, the NSP, and the Ministry of Foreign Affairs are all former professors, and I understand that because they knew each other when they were professors, these agencies are cooperating with one another better than they did under any previous administration. But it is important to have some legal device to ensure cooperation, and only the president has the power to decide on this matter.

D. Comment by Ho Man-ho, the 13th NUB minister (August 1988-February 1990)

In the past the unification issue was not so much a matter of national policy as a matter of historical necessity. But with the issue of North Korea's suspected nuclear weapons program persisting in these past two or three years, and particularly in the wake of Kim Il-song's death, unification seems to have come within range of actual attainment.

The same is true with the NUB. In the past the NUB was an accessory to other ministries of the government. But now the NUB must be radically different from what it used to be. If the president regards unification as a pivotal policy goal of the state, the NUB should be able to coordinate unification-related policies and activities in accordance with its established lines and directions.

In my opinion, the upgrading of the NUB to an agency headed by a deputy prime minister in 1991 was a manifestation of that determination. But reality seems to be far from what it should be. The same is true with the issue of the North Korean nuclear issue. North Korea is pushing forward its nuclear program as part of its ultimate unification strategy. If this is true, on our side the NUB should play the primary role and diplomacy should follow the NUB lead in handling this issue. But that is not the case now. Currently, the Ministry of Foreign Affairs is taking the initiative and the NUB is following behind, but this is the reversal of the role.

Speaking of internal problems of the NUB, there seems to be a conflict between regular and special appointees. The NUB in particular has many special appointees because it brought in many people from the outside. A large number of special appointees itself is not a problem. It could be better to have many special appointees if it is accompanied by proper personnel management. But when I was the minister, there was something like a power game going on between the two groups. I cannot go into details here, but room for any conflict should be removed as soon as possible.

The most important thing is the president's perception. Unification is not something that could be arbitrarily delayed even if trying to put it off in consideration of its cost. The president should perceive that unification is now within the range of attainment. If he has this

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perception, budget, manpower, and all other problems can be resolved accordingly. The president should coordinate so that all ministries may tackle the unification issue, with the NUB leveraging all these efforts together.

South 'Exposed' as Operator of SKNDF Radio

SK2109081196 Seoul YONHAP in Korean 1 Sep 96 p 2

[Report from SAEBYOL News Agency]

[Text] North Korea exposed itself as the actual operator and broadcaster of the South Korean National Democratic Front [SKNDF] by utilizing one of the SKNDF radio frequencies in an overseas broadcast of Radio Pyongyang for 15 days beginning 10 August.

On 10 August, North Korea suspended the SKNDF broadcast on one of the seven SKNDF frequencies without a prior announcement and restrained anti-overseas propaganda broadcasts. The frequency returned to the SKNDF broadcast on 25 August when the SKNDF marked its 25th anniversary. During the 15 days, the overseas broadcast was on the air 18 hours a day with programs in six languages, including Korean, English, Japanese, Chinese, German, and Spanish. The contents were mainly reports on condolence messages from various foreign countries on the death of Kim Il-sung and denunciation of the South Korean Government.

When the overseas broadcast using the SKNDF frequency signed on, the radio announced: "We will begin the broadcast for Korean compatriots in Southeast Asia, Middle East, and Africa. This is from Pyongyang," thus proving that North Korea was the operator of the SKNDF radio.

Such moves of North Korea are analyzed to be aimed at propagating overseas the justification of the father-son power succession from Kim Il-sung to Kim Chong-il and expanding international public opinion denouncing the ROK Government. They are also interpreted as North Korea's intention to more aggressively and widely develop anti-South broadcasts.

The SKNDF radio is a propaganda broadcast of the SKNDF, which is claimed by North Korea to be an indigenous organization of the ROK. It began on March 1970 under the name "Voice of the Revolutionary Party for Reunification" and changed its name to SKNDF in August 1985.

Small Businesses Consider Cooperation With North

SK2109083196 Seoul YONHAP in English 0744 GMT 1 Sep 96

[Text] Seoul, Sept. 1 (YONHAP)—The country's small business circles, anticipating the normalization of economic relations between the two Koreas, have started looking into possible economic cooperation with the North.

The Korea Federation of Small Business will soon conduct a survey of its 46,000 member firms on a bid to ascertain their stance on economic tie-ups with North Korea.

The survey, taking the form of a questionnaire, asks if small firms are interested in economic cooperation with the North, what kind of format, the terms and scale of collaboration they have in mind in case they are interested.

The federation has already started collecting information on the proposed Nggin-Sonbong free economic and trade zone in the North. Federation officials feel it should be possible for South Korean textile, knitting and plastic firms to operate in the free trade zone.

With a view to preparing for eventual economic cooperation with North Korea, the federation has also formed a consultative council with readers, academicians and journalists. The council is scheduled to hold its first session Sept. 8.

Companies Form Task Forces on N-S Cooperation

SK2109071196 SEOUL SINMUN in Korean 24 Jul 96 pp 6-7

[By Journalist Yi Chang-hun]

[Text] "Jump a Close Watch on North Korea (NK) under Kim Chong-il."

The four largest domestic groups, Hyundai, Samsung, Daewoo, and Lucky Goldstar, are competing for leadership of the North-South economic cooperation project to take place after Kim Chong-il takes power. On the 11th, two days after hearing news of Kim Il-sung's death, these groups all quickly began creating scenarios on the changed NK system, seeking to get a grasp of its direction. The various scenarios laid out by these groups began with Kim Chong-il safely concluding his transfer of power. However, the compositions of the scenarios show slight differences depending on their interpretation of circumstances after the transfer of power.

Four Groups North Korea Intelligence Capabilities

As soon as the report of NK President Kim Il-sung's death became known on the 9th, the intelligence teams of the four groups are reported to have gone on alert before the administration, collecting intelligence through NK-related government agencies, such as the Agency for National Security Planning and the Unification Board, and through overseas branch offices. Accordingly, on the 10th only one day after Kim's death was announced, the NK teams in every economic research center created scenarios on the future course of NK and distributed them to the highest levels of management and to their affiliates. Rumored to be enormous, Samsung's intelligence team is said to have been aware of the death of Kim Il-sung before it was announced by the government

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and to have reported it to group president Yi Kun-hee and other core executives. Samsung Products NK team quickly put together a situation room at 1:00 PM on the 9th, one hour after receiving news of Kim Il-sung's death at 12:00 AM. Having already made up seven NK scenarios, categorized by the headings "while alive" and "after death," the Samsung Economic Research Center's Future Planning Office on about the 10th revised this material to include only "after-death" scenarios and reported on this to Yi. At one time carrying on a subtle war of nerves over leadership of the North-South economic cooperation project, the Hyundai and Daewoo groups moved quickly, although they are not presently operating situation rooms. Unlike other groups, they are creating concrete strategy for coping with the situation. Accordingly, Daewoo, in a meeting of the Group Operations Committee on the 11th, created scenarios categorized by situation and reported on them to leading executives, including group president Kim U-chung. The Lucky Goldstar Groups predictive capabilities concerning NK are reported to be relatively superior to those of other groups. It showed speed in creating NK scenarios as soon it is received word of Kim Il-sung's death and reporting on them the same day to group president Ku Cha-kyung. Meanwhile having concluded that they have a serious lack of NK experts, these four groups are reported to be covertly working to scout high-quality manpower.

Four Groups Plan for North-South Economic Cooperation on Overview of Kim Chong-il Taking Power

With the NK visits by their group presidents and other actions, Hyundai and Daewoo have already occupied an advantageous position in their projects with NK. They have each created five NK scenarios. Samsung and Lucky Goldstar, four each. Unlike other groups, which dealt with a range of possibilities, Daewoo is confident the Kim Chong-il government will not last longer than five years. It is attracting attention with its scenarios developed on this assumption.

The scenario considered most likely by the four groups is that Kim Chong-il, after internal consolidation, will gradually take reform and liberalization measures. This scenario begins with Kim Chong-il, after establishing his power base within a year of taking power, announcing an economic development plan to pacify NK residents suffering economic hardship. Following this, North and South Korea will hold the delayed summit meeting around the middle of next year, by which time the consolidation of the NK system will be complete. Beginning at this time, the gates of economic cooperation, although in a limited form, will be opened in earnest. According to this scenario, the Nampo Industrial Complex On-Cheonnuseon Processing Project will be first, as a model project of economic cooperation between North and South. With this, as indirect trade changes into direct trade, what had long been limited business will take on vigor, according to their analyses. For example, early exports to NK will be centered on daily necessities. Later, however, it will be expanded to TVs and other household electronic products. To this point, the first basic scenarios of each of the four groups are the same.

Only Hyundai has a separate scenario from the very beginning, to resolve the economic crisis. Kim Chong-il will ally himself with field-grade officers trained in Moscow military schools, mid-level administrative bureaucrats centered on the NK Cabinet, and other reform-minded forces, also called "technocrats." Hyundai believes there is a greater chance of a unitary Kim Chong-il system adopting a policy of gradual liberalization (35 percent) than of an alliance between Kim Chong-il and the technocrats (25 percent).

Daewoo has basically two types of scenarios. According to one, Kim Chong-il will be driven from power by radicals following the failure of his government's policy of gradual reform less than five years after its implementation. According to the other, Kim Chong-il's regime will gain a degree of success, barely maintaining its existence. Daewoo puts a 60-percent probability on the "Kim-Chong-il-ousted-by-radicals" scenario. It assesses his chances of maintaining his regime low, at 30 percent. However, convinced of the likelihood of these first basic scenarios, these two groups created concrete group strategy based on them. North Korea has heavy chemical and construction-oriented industries. These, according to Hyundai analysis, will have a positive effect on NK liberalization policy. Therefore, it is creating a separate dedicated team through its subsidiaries Hyundai Motors, Inchon Steel, Hyundai Oil, and Hyundai Construction. Daewoo believes that to present NK citizens with the outlook "We can live well," Kim Chong-il will establish, by the end of this year at the latest, an epoch-making 4th 7-year Plan (1995-2000) [as published]. Following this, the gates will be opened for North-South economic cooperation by at least next year, on the occasion of the North-South summit. However, with the failure of his gradual reform, Kim Chong-il will be forced from office by radicals, and the status of long defied Kim Il-sung too will be degraded, according to Daewoo analysis. In accordance with such scenarios, Daewoo has concluded that the development of the Nampo Industrial Complex, which will become the starting point of North-South economic cooperation, will be carried out first, beginning this year. It plans to complete within the year a strategy for participating in the project. Afterwards, Daewoo even has plans to make large-scale investments within NK on its own and to take over NK state-run enterprises.

The second scenario has the Kim Chong-il government clinging to Kim Il-sung's methods, only to be destroyed by radicals soon after taking power. Unable to endure their economic hardships, the NK people will rebel. Less than three years after taking power, Kim Chong-il is expelled by a reformist faction centered on young military officers and technocrats, according to this view. Thus, North-South economic cooperation is unlikely to

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begin in earnest soon after Kim Chong-il takes power. However, it is speculated that there will be rapid progress after new forces come on the scene. As for the policies of these forces, they will pursue a Chinese-style policy of reform and liberalization, putting priority on resolving the economic hardships actually suffered by the people of NK. Hyundai estimates the probability of this scenario materializing at 20 percent. Daewoo, at 60 percent.

The third scenario has an armed clash occurring between radical forces opposing the Kim Chong-il regime, resulting in a civil war. Concerning this, the four groups concluded that radical forces will ultimately take control of NK. There, even the limited trade that has been maintained at a fixed distance will for the short term be cut off. Some four to five years after the civil war ends, North-South economic cooperation will be pursued in earnest, according to this analysis. The last scenario has Kim Chong-il completely eliminating forces opposing him, only to be driven from power by extreme-leftist conservatives. NK will then maintain a closed policy. The four groups view this scenario to be unlikely. However, they believe that if the situation unfolds as this scenario suggests, even what North-South trade there is will cease, and South Korean industry too will greatly shrink due to an increased probability of war.

Four Groups North Korean Scenario

Plan One Character: Kim Chong-il Takes Power, Internal Consolidation. **Anticipated Time Frame**: July 94 Through Early 95. **Internal Reform**

- Increase Party, Three-Revolutions Team activity—Control Population.
- Aggravate military.
- Supply residents with Daily Necessities. **Economic Development Plan**: Development Plan Formulated, Announced Near Years End. **Nuclear Development**: Nuclear Development Deferred. **External Opening**: All Relationships Deferred (NK-U.S. Negotiations, etc.). **International Relations**: Strengthen Relations With China—Economic And. **Relationship with South**:
- Deferred.
- Desires Symbiotic North-South Summit (To Be Used for Internal Consolidation).

Plan Two Character: Gradual Reform, Liberalization. **Anticipated Time Frame**: Early 95 Through 97 or 98. **Internal Reform**

- Staged Internal Reform.
- Agricultural Production Responsibility System.
- Strengthen Authority of Factory. **Economic Development Plan**: Development Plan Commences. **Nuclear Development**: Nuclear Development Abandoned. **External Opening**:
- External Opening Expanded.
- Open Areas Expanded From Najin and Sonbong To Include Chongjin, Sinuiju, Haeju, and Nampo. **International Relations**: Normalization With U.S. and Japan Pursued—Economic Aid. **Relationship with South**:

Plan Three Character: Kim Chong-il Overthrown—Full-Scale Reform, Liberalization Implemented. **Anticipated Time Frame**: After 97 or 98. **Internal Reform**

- **Rapid**, Overall Reform Carried Out.
- **Market** Economy Implemented.
- **Privatization** of Government-Run Enterprises Pursued (as in Russia) During the Early 1990's. **Economic Development Plan**: Overall Revision of Development Plan. **External Opening**: Entire Country Opened to Foreign Investment—Measures Taken Giving Preference to Investment in Coastal Areas. **International Relations**: Normalization with Western Nations—Expansion of Economic Aid. **Relationship With South**: South Korean Companies Begin Large-Scale Investment, Take Over NK State-Run Enterprises.

Government Lifts Ban on Korea-Germany Visit

SK0109092594 Seoul YONHAP in English 0126 GMT 1 Sep 94

[Text] Seoul, Sept. 1 (YONHAP)—The Justice Ministry said Thursday it has lifted the entry ban on Korean-German musician Yun I-sang for his homecoming next week.

The action was taken because Yun is coming to attend a music festival in his honor that opens in Seoul next Thursday and continues in Pusan and Kwangju until late September and because his pro-North Korean activities have declined markedly of late, a ministry official said.

The world-renowned composer had been barred from visiting the country due to his pro-North Korean activities.

He will return to Germany at the end of the month after visiting his hometown in Tongyong County, South Kyongsang Province.

China 'Reinforcing' Border Against North Exodus

SK0109015994 Seoul THE KOREA HERALD in English 1 Sep 94 p 2

[Text] Deputy Premier and Unification Minister Yi Hong-ku said yesterday that China is reinforcing its border troops in an effort to prevent possible exodus of North Koreans into its mainland.

"Our government is working out measures on how to cooperate with China and the United States in case such an event occurs," Yi was quoted as saying.

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The chief unification policy-maker made the remark during a meeting of the ruling party's decision-making Central Executive Council. Yi attended the closed-door meeting to report the development in North Korea and the situation on the Korean Peninsula to the Democratic Liberal Party (DLP).

Before Yi's statement, DLP lawmaker Yi Sung-yun asked whether it is true that North Korea and China are stepping up their boarder troops to keep North Koreans from escaping to China.

After the death of North Korean leader Kim Il-sung in July, speculation has persisted that North Korea remains unstable and may face breakup.

The Seoul Government has not ruled out a possibility that North Koreans may attempt to flee their Communist-ruled homeland for China or South Korea.

President Kim Young-sam has said Seoul has to prepare for any unexpected situation on the Korean Peninsula.

Deputy Premier Yi also reaffirmed the government's position that North Korea should guarantee its nuclear transparency and accept South Korean-type light-water reactors to replace its graphite- moderated reactors.

"We will never make concessions on the issue of the guarantee of North Korea's past, present and future nuclear activities," party vice spokesman Song Ho-kyo quoted Yi as saying.

Yi also told the DLP participants that the government has asked the United States not to hasten improving relations with North Korea until the North's nuclear dispute is fully settled, Song said.

"The government will map out plans to cope effectively with possible changes in the situation on the peninsula in the wake of the agreed opening of liaison offices between Washington and Pyongyang," the unification minister was quoted as saying.

After the meeting, meanwhile, the DLP said it plans to have a party official participate in a weekly meeting of the Unification and Security Policy Coordination Council in an effort to establish closer cooperative relations between the government and the DLP on unification matters.

If the DLP plan is approved by the government, Rep. Chung Chan- moon, chairman of the party's committee on unification, will attend the meeting, a party official said.

The council meeting, presided over by Deputy Premier Yi, is attended by the foreign minister, defense minister, director of the Agency for National Security Planning, chief presidential secretary, senior presidential secretary for foreign and national security and senior aide to the prime minister.

PRC Procurator Views Visit, Holds Talks

SK1009072594 Seoul YONHAP in English 1122 GMT 10 Sep 94

[Text] Seoul, Sept. 10 (YONHAP)—A four-member mission of the Chinese Supreme People's Procuratorate, now on a visit here, met Prosecutor General Kim Tu-wan Tuesday to discuss ways to closely cooperate on prosecution programs between the two countries.

The Chinese mission was led by Zhao Hong, deputy procurator general.

During the talks, Kim and Zhao agreed that crack-down on corruption and irregularities are the only way to create a clean officialdom.

They decided to exchange materials on model cases of investigation of irregularities and other useful materials on prosecution programs.

Later in the day, the Chinese procurators paid a courtesy call on Chief Justice Yun Kwan.

They are expected to meet with Justice Minister Kim Tu-hun and Pak Hae-ue, chairman of the National assembly legislation and judiciary committee, on Wednesday.

The Chinese procurators are to leave the country on Friday. They flew into Seoul Monday at the invitation of Deputy Prosecutor General Song Chong-un.

Samsung, Singapore Firm Plan City in China

SK1009072594 Seoul YONHAP in English 0702 GMT 1 Sep 94

[Text] Seoul, Sept. 1 (YONHAP)—The Samsung Business Group signed a contract Thursday with the Kepppel Group, Singapore's largest state enterprise, to jointly develop a Singaporean-style industrial city in the southern Chinese city of Suzhou, Jiangsu Province, a Samsung spokesman said.

The contract to build the industrial city, dubbed a second Singapore, requiring an investment of over 20 billion dollars was signed by Chae Hun, president of Samsung Construction Co. and Kepppel Group President Lee Wing Siew at Kepppel headquarters in Singapore, the spokesman said.

Samsung Chairman Yi Kun-hee discussed the project with Prime Minister Goh Chok Tong of Singapore and Kepppel Group Chairman Sim Kee Boon last May when Yi visited Singapore.

Samsung also agreed with the Kepppel group to jointly participate in various development projects in China, Vietnam, the Philippines, Myanmar and Indonesia, according to the spokesman.

Among the projects are construction of a multi-purpose building in Beijing, development of Gua-Dinh park in Vietnam and Bintan beach resort in Indonesia, and construction of an industrial complex in the Philippines. Moreover, Samsung agreed with Kepppel on fund- raising for an investment in Myanmar.

Samsung also agreed with Singapore's largest state firm to further discuss joint development of the Yalu Rie

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marine industrial complex in the Philippines and Vungtau marine and petroleum complex in Vietnam as well as construction of a shipbuilding yard in Batangas, the Philippines, and the Saigon Center Hotel in Vietnam's Ho Chi Minh City, he said.

Samsung will take over part of Keppel's 65-percent share in the Suzhou project.

The Suzhou project, which has already been agreed between Keppel and Chinese authorities, entails construction of industrial, residential, commercial and resort areas on 20 million pyong (one pyong equals 3.3 square meters) of land in Suzhou City, Jiangsu Province, to accommodate over 600,000 residents, said the spokesman.

The project is modelled after Jurong City, the power base for the economic development of Singapore.

The Keppel group, 32.9-percent owned by the Singapore Government, is the biggest business group in the island-state with eight subsidiaries, 9,730 employees and 6.1 billion dollars in capital. Keppel is engaged in shipbuilding, maintenance of ships, engineering, transportation, real estate, financing, and construction of industrial complexes and resorts.

Seoul To Accept Russian Missiles as Repayment

SK0109054594 Seoul *MAEIL KYONGJE SINMUN* in Korean *p 1*

[Report by Kim Se-kyong]

[Text] It has been learned that the ROK and Russia have agreed that as part of Russia's repayment of the economic loan the ROK provided to the former Soviet Union, Russian-made weapons (missiles) worth about $200 million (equivalent to 160 billion won) will be shipped to the ROK. The remaining outstanding amount of the principal and interest will be repayed in installments in the next six years.

One government official said on 31 August that his understanding was that before leaving the country, a ROK delegation had virtually fine-tuned their views to ensure that such an agreement would be reached at the second round of talks scheduled to be held in Moscow from 29 August to 1 September in order to discuss the collection of principal and interest of the ROK's economic loan to Russia.

Until 1991, the ROK had provided Russia with an economic loan amounting to $1.47 billion. Since it received a total of 11,000 tonnes of aluminum as partial repayment in November 1992, however, the ROK has not received money on the principal and interest. Thanks to the ongoing talks, the ROK will be able to start to collect, even partially, the principal and interest after two years.

Another official concerned disclosed: "The Russian side had made its stance clear that it would not be able to repay the loan through aluminum and crude oil, which can be sold on the international market, but could possibly repay with weapons. As a result, Russia sent the ROK a list of weapons it would be able to supply. This issue has been meticulously examined by the Economic Planning Board [EPB], the Ministries of Finance, Foreign Affairs, and National Defense."

Regarding this, our side fine-tuned our position not to agree to accept weapons, even for training purposes, unless it is possible to collect the outstanding principal and interest in cash or in kind. The EPB decided to offset this amount to the part of the budget for national defense.

In connection with the weapons system to be introduced, one official said: "Originally, the government wished for the introduction of small amounts of various items such as fighter planes, helicopters, tanks, and armored personnel carriers from Russia with a view to establishing a warfare training system with the North in mind. In the face of the Russian side's objection, the weapons will be limited to 'defensive missiles' with a shooting range of about 500 meters."

As the Russian weapons will not be very useful, the government has limited the introduction of weapons to a one-time-only policy. It has been learned that the U.S. side will not object to the introduction of short-range missiles.

The ongoing, second round talks are being held as a follow-up to the agreement reached between President Kim Yong-sam and Russian President Yeltsin when President Kim visited Russia in June of last year. The principle of the agreement was that "working-level negotiations would be held to settle the issue over the repayment of the loan at an early date." The talks are dealing with an amount of money totaling $387 million, which remains outstanding as of the end of last year. Participating in the second round of talks are officials concerned from the EPB, Ministries of Finance, Foreign Affairs, National Defense, and Trade, Industry, and Resources; the Office of Supply; and credit banks.

Delegates for Japanese Lawmakers Meeting Named

SK0109085994 Seoul *YONHAP* in English 0246 GMT 1 Sep 94

[Text] Seoul, Sept. 1 (YONHAP)—A 47-member delegation from the National Assembly was organized Thursday to participate in the 22nd Joint General Assembly of the Korea-Japan Parliamentarians Union scheduled for Sept. 5-8 in Tokyo.

During the meeting of the bilateral group, the Korean delegation, composed of ruling and opposition lawmakers, is set to hold a comprehensive discussion with their Japanese counterparts on security in Northeast

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Asia, including the North Korean nuclear problem. They will also seek ways to expand economic and cultural exchanges.

The Korean delegation is likely to take up the issue of better treatment for Korean residents of Sakhalin as well as ethnic Koreans' political right to participate in local autonomy in Japan.

The Korean delegation will be led by Reps. Kim Yun-hwan and Na Ung-gae of the ruling Democratic Liberal Party.

Goldstar, Japan Research Flat-Screen Technology

SK0109082096 Seoul *THE KOREA HERALD* in English 1 Sep 96 p 8

[Text] Goldstar Co. is stepping up its efforts to develop a next-generation flat-screen display device.

The home electronics giant announced yesterday that it will set up a large research and development center in Japan with a Japanese partner to develop leading-edge flat-screen technology.

A 50-50 joint venture with Alps Electric Co. of Japan, the R&D center will concentrate on the technology for what is called the "thin film transistor liquid crystal display" (TFT-LCD).

Goldstar's vice chairman and CEO Yi Hun-chin signed an agreement on the R&D joint venture with Alps President Kataoka Masataka in Seoul, where the venture will be located.

Under the agreement, the two firms will invest a total of 10 billion yen ($8 million won) into the center which will be staffed by some 70 researchers from both companies. They will cooperate to develop new technology to produce the world's best TFT-LCDs.

TFT-LCDs are the most advanced form of LCDs. Far thinner and lighter than the bulky conventional display devices currently used for TV sets, LCDs have a variety of applications and although TFT-LCDs are now mainly used for high-end notebook computers, experts believe these future applications will be just as wide as semiconductor chips.

Currently, Japanese firms such as Sharp, NEC, Hitachi and Toshiba dominate the world LCD market, while Korean firms, including Goldstar and Samsung Electronics, are striving to catch up.

Goldstar is now building mass production lines for TFT-LCDs in Kumi, North Kyongsang Province, with the plant scheduled to begin operation next year.

Goldstar's R&D joint venture with Alps Electric, one of the world's largest electronics parts producers, represents its determination to speed up the "catch-up" process and even run ahead of its Japanese rivals.

According to a company spokesman, the new research center, which will open next January, will seek to develop new production processes based on the so-called "ultra clean technology" (UCT).

UCT is known to be a new methodology developed by a Japanese semiconductor expert to maximize cleanliness during production.

As in the case with semiconductor chips, the cleaner the production processes are the better the quality of the TFT-LCD.

When cleanliness is maximized, the core production process involving plasma reaction, which has been difficult to control with existing technology, can be brought more easily under control and hence the rates of defective products can be minimized, according to the company.

"A latest technology, UCT has not yet been fully applied to TFT- LCD production by any producer in the world although we hear that it is being partly used by Intel, the world microprocessor powerhouse, in producing chips," said the spokesman.

According to him, UCT is essential in developing new production processes and turning out the world's best flat screens.

"When we successfully develop new production processes based on UCT, we will be able to reshape the world flat-screen market in our favor," said the spokesman.

The world TFT-LCD market has been growing by over 30 percent a year. This year, world demand is estimated at $7 billion. It is expected to grow to $4.5 billion in 1996 and to $16 billion in 2000.

Enterprises To Build SRV Industrial Complexes

SK0109085096 Seoul *SEOUL SINMUN* in Korean 1 Sep 96 p 2

[By reporter Yi Su-hun from Singapore]

[Text] Three industrial complexes will be built in Vietnam for the exclusive use of South Korean enterprises. This was agreed upon at the talks held on 30 August between Prime Minister Yi Yong-nok and Vietnamese Prime Minister Vo Van Kiet, signed an official at the Prime Minister's Office on 31 August.

According to the official, these industrial complexes will be built in the northern, central, and southern regions of Vietnam. Once follow-up measures have been taken—such as selecting sites for the complexes and signing long-term leases for the sites—their construction of the complexes will be instigated within the next year under the management of the South Korean Government-run Land Development Corporation.

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Prime Minister Yi, who is visiting three Asian countries, arrived in Singapore on the afternoon of 30 August after concluding a visit to Vietnam.

Prime Minister Yi will make a courtesy call on Singapore President Ong Teng Cheong on 1 September, after which he will hold talks with Prime Minister Goh Chok Tong to discuss matters of common interest between the two countries, including joint investment in the third countries.

Foreign Workers Planned To Ease Labor Shortages

SK2309013494 Seoul THE KOREA TIMES in English 1 Sep 94 p 1

[Report by Kim Chang-yong]

[Text] Korea will introduce 10,000 more foreign workers later this year to ease labor shortages facing declining light industries, administration officials said yesterday.

This is also necessary to keep those small industries alive until reunification with the North when its abundant cheap work force will be available, they said, adding that the industries will then play a key role in reviving the northern economy after reunification.

Six thousand workers will go to textile companies and 4,000 others to footwear firms, Assistant Economic Planning Minister Kim Tae-yon said in a report to President Kim Young-sam on current economic trends and policies at Chongwadae [presidential offices].

In a background briefing for the press, his chief deputy admitted some policymakers have strongly objected to the introduction of cheap foreign workers force on the ground that it may only delay the collapse of the marginal industries and impede natural industrial restructuring.

Chew Chong-chan, director general for planning at the Economic Planning Board [EPB], however, reasoned, "We have to keep the light industries operating as a basis for economic cooperation with the North in preparation for reunification."

Most labor-intensive industries, especially footwear and textiles, have lost competitiveness to China and newcomers in the international market and some local companies are using North Korea's skilled manpower to processing trade, albeit on a small scale.

The cabinet, deciding to introduce 20,000 foreign workers for low- paid menial jobs this year just as the matter of vocational trainees, started formal imports in May.

So far, only 9,000 have arrived partly because some foreigners are unsatisfied with 200-250 dollars in monthly pay and partly because some domestic firms are already employing a large number of illegal workers.

Besides the 9,000 people, mostly unskilled workers from Asian countries, others have taken jobs without working visas here and are subject to deportation, if found. Officials estimate the number of illegal workers at over 60,000.

Saying that the economy is now fully recovered from two years of slowdown, Assistant Minister Kim reaffirmed that the EPB, the top economic agency, would focus on the stabilization of prices which are already threatening to surpass this year's inflationary goal of 6 percent.

Soaring farm produce prices, caused by the long dry spell, and wage hikes higher than the inflationary margin are likely to combine forces to push up the composite consumer price index well over the annual goal.

Prices are expected to further jump around Chusok, the most festive traditional holiday which falls on Sept. 20.

"Relevant ministries will exert allout efforts to place prices under control," he said.

The Trade, Industry and Energy Ministry recently called in the representatives of department stores and told them to freeze prices of Chusok gift sets, following up its successful drive for cuts on electronics goods. Tax offices will reinforce their surveillance of price trends for manufactured goods.

President, Businessmen Discuss Expanding Exports

SK2309035994 Seoul YONHAP in English 0446 GMT 31 Aug 94

[Text] Seoul, Aug. 31 (YONHAP)—President Kim Young-sam met over lunch Wednesday with the presidents of the nation's seven leading general trading companies and exchanged views on promoting exports.

During the meeting at the presidential residence, Chongwadae, Kim encouraged the businessmen to step up exports to Japan while hearing their opinions on recent conditions at their respective firms.

It is considered unusual for a president to call in the chiefs of general trading companies, with this meeting reportedly held to seek ways of expanding Korean exports to Japan as the trade deficit with that country continues to widen despite the strong yen.

Attending the meeting were Sin Se-kil from Samsung Co., Pak Se- yong from Hyundai Corp., Yu Ki-geun from Daewoo Corp., Pak Su-kwan from Lucky-Goldstar International Corp., Kim Sung-chong from Sunkyong Ltd., Sin Myong-seon from Ssangyong Corp. and Won Myo-hyon from Hyosung Corp.

Trade Ministry Optimistic on Exports of Goods

SK2309013994 Seoul YONHAP in English 0113 GMT 1 Sep 94

[Text] Seoul, Sept. 1 (YONHAP)—South Korean goods are expected to claim a larger share of the world export

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market this year than ever before, the Trade, Industry and Energy Ministry said Thursday.

The ministry predicted that South Korean products would capture about 2.3 percent of the global export market this year, compared with more than 2.2 percent in 1993.

The General Agreement on Tariffs and Trade (GATT) forecasts that world exports will increase by 5 percent from last year to 3,917,235 million dollars this year, while the ministry says South Korean exports will grow 12 percent to 92 billion dollars in 1994.

The proportion of Korean goods in the world export market peaked in 1988 at 2.2 percent but fell to 2.1 percent in 1989 and 1.9 percent in 1990. The country's share rebounded to 2.0 percent in 1991 and 1992 and 2.2 percent last year.

In comparison, South Korea's major export rival, Taiwan, claimed 2.3 percent last year but is expected to fall behind this year as it has set an export goal of 91 billion dollars.

A ministry official said, "We are worried that imports are increasing more than expected this year, but it is encouraging to confirm that the international competitiveness of South Korean goods has strengthened."

Imports Increased in Aug

SK0109080594 Seoul YONHAP in English 0647 GMT 1 Sep 94

[Text] Seoul, Sept. 1 (YONHAP)—South Korea's imports jumped 30.1 percent in August over a year earlier, setting a record for the past three years.

The Trade, Industry and Energy Ministry revealed Thursday [1 September] that the country's imports amounted to 8.546 million U.S. dollars on a customs clearance basis last month, up 30.1 percent from the same month last year. The growth rate is the highest since July 1991 when it recorded 31.7 percent.

The August figure pushed imports for the first eight months of this year to 64,226 million dollars.

Issuance of import licenses (IL's), whose annual growth rate surpassed the 35-percent level during the first half of this year, continued rising in August by swelling 35.0 percent over the year before to 6,495 million dollars, ministry statistics showed.

Accordingly, the ministry expressed concern that imports for the entire year may reach the 98-billion-dollar level, far above the original estimation of 95 billion dollars.

The brisk imports last month caused a 906-million-dollar trade deficit, though the country showed a healthy rise in exports despite a production setback resulting from labor disputes at some companies, shipping out 7,640 million dollars in goods and posting a 16.8-percent gain over the same month in 1993.

Due to the import boom in August, the country suffered a 5,165- million-dollar trade deficit during the January-August period, an increase of 2,231 million dollars over the corresponding months of last year.

The ministry attributed the import growth to rising demand for foreign goods as a result of active facility investment, in particular in the semiconductor sector, and the nation's economic recovery.

In addition, imports of such consumer goods as farm products and clothes expanded by 200 million dollars as Chuseok, Korea's traditional full moon festival which falls in September this year, approaches.

By item, imports of raw materials except logs jumped and those of crude oil, which had been on a declining trend, rose 52.9 percent due to crude oil price hikes and an increase in the import amount.

Meanwhile, shipments of heavy and chemical products rose 25 percent, and those of such primary goods as farm and mineral products recorded more than 20-percent growth.

Arrivals of letters of credit (L/C's), an indicator of exports in the months to come, had expanded 34.8 percent over a year earlier to 4,376 million dollars as of Aug. 25, according to the ministry.

BOK Reports Foreign Debt Equals 99.38 Billion

SK0109080594 Seoul YONHAP in English 0651 GMT 1 Sep 94

[Text] Seoul, Sept. 1 (YONHAP)—South Korea's net foreign debts amounted to 9.38 billion U.S. dollars at the end of June, up 1.51 billion dollars from last year's end, according to the Bank of Korea (BOK).

The nation's overall foreign debts rose 4.68 billion dollars from the end of 1993 to 48.53 billion dollars, while overseas assets increased 3.15 billion dollars to 39.15 billion dollars.

The net foreign debts fell to as low as 4.85 billion dollars in 1990 on the strength of a trade surplus, but it climbed to 11.95 billion dollars in 1991 due to unfavorable trade that year.

The lowered stock market opening to foreign investors in 1992 resulted in inflows of foreign funds to the market to reduce the nation's net foreign debts to 11.1 billion dollars in 1992 and further to 7.87 billion dollars last year.

In the first half of this year, the current-account deficit amounted to 2.7 billion dollars, up 1.35 percent from a year earlier. This combined with reduced foreign fund inflows to the stock market, stemming from an increased number of listed companies whose foreign investment

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ceiling has been hit, to push the nation's net foreign debt closer to the 10-billion-dollar level, the Central Bank said.

Ministers Urged To Strive for Price Stability

SK0509011794 Seoul THE KOREA TIMES in English 1 Sep 96 p 2

[Text] President Kim Young-sam yesterday told economic ministers to exert utmost efforts to keep prices stable, pointing out the poor harvests of agricultural produce caused by the severe drought and rises in prices of raw materials overseas as factors that could cause a price spiral.

He also called upon public servants to set the example for thrifty spending during the "Chuseok" holiday, the Korean version of Thanksgiving Day, which falls on Sept. 20, by refraining from giving and receiving high-priced gifts.

"If the economy is to continue growing, a reasonable money- spending pattern has to take root," Kim told a conference on economic development strategy held at Chungwadae [presidential offices].

The Chief Executive received briefings on the present economic situation and urgent economic policy tasks that must be tackled from Vice Economic Planning Minister Kim Tae-yun, and the current state of high technology development and the future plans from Son Yon-su, chief coordinator for research and development at the Science and Technology Ministry.

He also received reports on the development of the semiconductor industry and its prospects from Chung Hae-chu, assistant trade- industry-energy minister and ways of strengthening the international competitiveness of the medical industry from assistant health-social affairs minister Kim Chong-tae.

Present at the conference were 11 economic ministers, the presidents of the Bank of Korea, the Korea Development Bank and the National Agricultural Cooperatives Federation.

After the briefing, President Kim questioned relevant ministers about bank interest rate, high-tech development and the overseas marketability of domestically produced medicines.

Deputy Premier-Economic Planning Minister Chung Chae-suk forecast that the nation's economy would grow by 8 percent this year and 7.5 percent next year.

Exports will increase 13 percent over last year but the trade deficit will be about $2.5 billion due to shortfalls in the invisible exports and imports, Chung noted.

Finance Minister Hong Chae-hyong said that the current average bank interest rate of 13.5 percent is expected to rise up to 14 percent due to growing cash demand because of the Chuseok holiday. But he said the half percent hike is nothing to worry about.

Science-Technology Minister Kim Se-hong said that it is increasingly difficult to get high technologies from advanced nations, stressing the need for special investment in technology development independently by Korea or in the form of joint ventures with advanced nations.

The nation sent 200 PhD holders to foreign research institutes last year and plans to increase the number to 250 this year to gain access to advanced technologies.

Health-Social Affair Minister So Sung-wook said that the lack of sufficient number of clinical experimental facilities forces the nation to sell half-developed medicines overseas.

He revealed that his ministry will invest some three billion won in medical technology to help pharmaceutical companies be more competitive in international markets.

Figures on Production Rate, Sales, Unemployment

SK0509090994 Seoul YONHAP in English 0856 GMT 5 Sep 96

[Text] Seoul, Sept. 5 (YONHAP)—A series of labor disputes lowered the increase rate of industrial production to 7 percent in July from a year ago and slashed the manufacturing industry's operating rate to 70 percent—the lowest in five months, the National Statistical Office said Thursday [5 September].

Business, however, will remain on an upward trend for the time being, with steady increases in exports and facility investment, the office said in releasing "The Industrial Trends in July."

Industrial production decreased by 4.5 percent in July from the previous month, hitting the lowest point this year as a result of serious labor disputes at big enterprises including Hyundai Heavy Industries Co., Hyundai Precision and Industry Co. and Kumho and Co., Inc.

The operating rate for the manufacturing industry fell to 70.1 percent in July, the lowest this year, from 83.2 percent in June, as production capacity rose 3.2 percent while the pace of production increase slowed down.

But wholesale and retail sales climbed 8.3 percent from a year earlier, in comparison with up 7.9 percent in June, indicating a steady increase in consumption.

The unemployment rate rose slightly to 2.2 percent in July from 2.1 percent in June, but was down 0.9 percentage point from 2.7 percent in July last year, the office said.

Meanwhile, the composite leading index, which indicates business prospects seven or eight months ahead, was 128.8 when the business situation is set to 100 at the end of 1990, indicating a steady business upturn.

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The coincidence index was 128.6, up 0.2 percentage point from the previous month.

Hyundai Industries Operations 'Normalizing'

SK0109000194 Seoul YONHAP in English 0509 GMT 1 Sep 94

[Text] Ulsan, Sept. 1 (YONHAP)—More than 24,000 employees, or 95 percent of the total workforce, reported to work at Hyundai Heavy Industries Co. on Thursday, normalizing operations after a lapse of 70 days due to labor strife.

The labor union declared it "a day of reconciliation between labor and management" and held a signing ceremony for the '94 collective agreement, including a wage pact, as well as staged an event promoting labor-management reconciliation on the company ground.

Company President Kim Chong-kuk and Union Chief Yi Kap-yong announced that labor and management would work in unison to boost the country's economic development.

The labor union went on strike June 24 after negotiations with management ruptured over such issues as working hours, the retirement allowance system and the "no work, no pay" principle.

Management decided to impose a lockout July 20 but withdrew the action Aug. 17, with the two sides reaching an agreement Aug. 25.

Union Demand Postpones Planned Signing at [illegible]

SK0109010494 Seoul YONHAP in English 0007 GMT 1 Sep 94

[Text] Ulsan, Sept. 1 (YONHAP)—The cause of Hyundai Heavy Industries [illegible] Co. here, which resumed its normal work Thursday [1 September] morning after a two-months-odd strike, made a fresh demand later on the day, refusing to sign a collective bargaining agreement with the management.

The union and management earlier decided to sign the agreement at 4 P.M. [0700 GMT].

Around 1 P.M., three hours before the planned signing, the union produced a three-point demand: Compensation for a reduction in bonus caused by the strike, withdrawal of lawsuits filed against individuals, and two additional days of "settlement leave."

When the management turned down the demand, the union staged a protest rally at company ground around 4 P.M.

The union decided to convene a Central Dispute Committee meeting at 6 P.M. Thursday to decide whether to go on another strike.

DP Abandons Merger With New People's Party

SK0109000994 Seoul YONHAP in English 0710 GMT 1 Sep 94

[Text] Seoul, Sept. 1 (YONHAP)—The major opposition Democratic Party (DP) virtually scrapped plans to merge with the New People's Party (NPP) Thursday [1 September], as the DP decided to nullify the results of merger negotiations with the NPP and start anew after the latter's national convention.

This negates the two parties' planned merger before the regular National Assembly session opens this month is out of the question, with the merger talks to resume around year's end in view of the parliamentary schedule.

At a Supreme Council meeting presided over by Chairman Yi Ki-taek Thursday, the DP concluded that it is impossible to continue the merger negotiations with the NPP in the present circumstances and declared them suspended.

DP Spokesman Pak Chi-won, emerging from the meeting, said that NPP Co-chairman Kim Tong-kil's resignation has made it difficult for the merger talks to continue. "We've decided to resume the negotiations after the NPP elects a new leadership at its national convention," he added.

The DP has held official and unofficial merger negotiations with the NPP but confirmed that nothing was agreed at these talks, he stressed.

The major opposition party has also concluded that elective posts, such as Seoul city mayor, should not be on the agenda at the merger negotiations and that candidates for these positions will be selected in a party meeting.

To capture victory in next year's local elections and secure a transfer of power, the opposition parties must merge into a new party, Pak said.

The NPP has also decided to resume the merger talks after the election of a new leadership at a national convention due sometime in September.

President Urged To Establish Environment Program

SK0809020294 Seoul THE KOREA TIMES in English 09 Aug 94 p 2

[Text] The National Advisory Conference on Science and Technology yesterday recommended President Kim Yong-sam form a body responsible for planning "Korea Agenda 21," an action program for a development that is balanced with environment protection for the 21st century that the President will oversee.

The advisory conference headed by chairman Yi Sang-hun also called for the preparation of legal and institutional systems to stimulate the education of talented and gifted children to cope with ever-sharpening international competition.

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Every nation was enjoined to draw up such an action program by the agreement on the protection of the global environment at the international meeting in Brazil in 1992.

Chairman Yi advised President Kim that the strategy for global environment conservation jointly planned by South and North Korea, China and other Asian countries be included in the proposed "Korea Agenda 21."

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Burma

Thai National Security Delegation Arrives

BK [0000] 5 Sep Rangoon Radio Burma in Burmese 1330 GMT 29 Aug 96

[Text] A 27-member delegation led by General Chamnan Kunlawanit, secretary of the Thai National Security Council, arrived at the Yangon [Rangoon] International Airport this evening on a study tour.

The Thai delegation was welcomed at the airport by Colonel Tin Hlaing, deputy home minister; Futrakun, Thai ambassador to Myanmar [Burma]; and various civilian and military officials.

After their arrival, the Thai delegation, accompanied by Colonel Kyaw Win, deputy director of the Directorate of Defense Services Intelligence; Ambassador Wirasak; and other officials visited the Shwedagon Pagoda and performed donations.

Khin Nyunt Receives Delegation

BK [0000] 30 Aug Rangoon Radio Burma in Burmese 2330 GMT 30 Aug 96

[Text] Lieutenant General Khin Nyunt, secretary-1 of the State Law and Order Restoration Council of the Union of Myanmar [Burma], received visiting General Chamnan Kunlawanit, secretary of Thai National Security Council, and party at the Defense Ministry's Diagon House at 0800.

Present at the occasion were U Ohn Gyaw, minister of foreign affairs; Colonel Tin Hlaing, deputy minister of home affairs; Col. Kyaw Win, deputy director of Directorate of Defense Services Intelligence; Thura U Aung Htet, director general of Protocol Department of the Ministry of Foreign Affairs; and Mr Wirasak Futrakun, ambassador of Thailand.

Article Views Burma's State Enterprise Reforms

BK [0000] Singapore BUSINESS TIMES (INSTITUTE OF SOUTHEAST ASIAN STUDIES TRENDS Supplement) in English 27 Aug 96 p IV

[Article by Tin Maung Maung Than: "Reforming Myanmar's State Economic Enterprises"]

[Text] In an early era of governance, Myanmar's [Burma] State Law and Order Restoration Council's commitment towards a market economy offering ample opportunities for private initiatives has been well established.

In line with economic reforms in other large "transitional economies", Myanmar's economic restructuring has been predicated upon a gradual approach through, in contrast to them, Myanmar has avidly discarded "socialism" as an organising principle for its economic activities.

As such, attempts to constitute an "outward orientation" in economic outlook and encourage the development of non-state sectors (including co-operatives) through institutional and price reforms with emphasis on fostering a viable environment for domestic and foreign direct investment (FDI) took precedence over financial liberalisation and the divestment of state economic enterprises (SEEs).

Myanmar's SEEs have had a 4-year-long institutional history and the socialist legacy of the anti-imperialist struggle sustained the state-led strategy of economic development for 40 years in which the SEEs played the role of vanguard enterprises dedicated to equitable growth. Subjected to a "soft budget constraint" and protected from private competition, Myanmar's SEEs have had a chequered record in terms of productivity and efficiency. Despite repeated attempts to improve their performance, their multiple objectives were never fully realised. Like other state-owned enterprises in most developing countries, their shortcomings led to a sub-optimal allocation of scarce resources and undermined the financial viability of the budgetary process.

Myanmar's state sector currently contributes around 22 per cent of real gross Domestic product (GDP) compared with about 25 per cent in fiscal 1986/87. The state enjoys monopolies in the power and communications sectors and provides substantial contributions to GDP in the construction (83 per cent), mining (69 per cent), forestry (42 per cent), transport (39 per cent), manufacturing (27 per cent) and trade (24 per cent) sectors.

Employing over 30 per cent of the non-agriculture labour force, the state is a significant source of urban employment. Apart from four state banks, there are some 50 SEEs under 20 on trade and services) which in the decade preceding 1993 had absorbed up to two-thirds of public investment and half of total investment in the country as well as some 62 per cent of foreign loans and aid.

Furthermore, they were ostensibly the only source of organised managerial expertise in the country. Despite such heavy investment in state resources, the SEEs did not live up to expectations as viable commercial enterprises. Capacity utilisation was poor, especially among those in the manufacturing and energy sectors where the average utilisation factor consistently decreased from 71 per cent in fiscal 1983/84 to less than 25 per cent in 1988/89. The overall financial balance for all SEEs has been negative since the last major restructuring in 1978 and the past emphasis on expansion at the expense of maintenance and upgrading had saddled the state with a motley array of obsolescent capital assets, state-of-the-art equipment and huge overheads.

Operating in a resource-constrained macroeconomic environment under considerable central control over investment, employment, pricing and production/services decisions and hampered by a lack of proper human resource development and an appropriate efficiency-enhancing incentive regime, Myanmar's SEEs

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exhibited the classic pathologies of dinosaur-like entities which became untenable in the new socio-economic environment predicated upon market-driven growth.

The new delineation of the public sector's role in the Myanmar economy, as espoused in its State-owned Economic Enterprises Law of March 1989 and the Foreign Investment Law of December 1988, suggests a diminished scope of state intervention while promising an enlarged role for the private sector.

The former law stipulated 12 branches of economic activities to be undertaken only by the state: teak extraction and marketing, cultivation of forest plantations, oil and gas, pearls, jade and gems, breeding related to fishery research, post and telecommunications, air and rail transport, banking and insurance, radio and television, minerals, electric power, security and defence-related products.

However, even in these areas, private participation as joint ventures with SEEs may be allowed on a case-by-case basis and this provision has led to a number of joint ventures or production-sharing contracts in oil and gas exploration, gem mining, subsidiary rail and international air services, and minerals processing as well as the licensing of 13 private banks following the promulgation of a new law on financial institutions.

More specifically, as part of the financial restructuring of SEEs, the government, in April 1989, converted the total debt of some 48 billion kyats owed by all SEEs to the state banks into state-owned equity. Henceforth, the SEEs' financial requirements were brought under the consolidated state budget. However, though allowing the SEEs to start afresh without any liabilities, the government reintroduced a soft budget constraint reminiscent of the inefficient centrally-planned economies. Subsequently, the SEEs were instructed to prevent losses on their current account. Some relaxation of centralised price vetting has been evident but fear of cost-push inflation forcefully acted against allowing freemarket pricing.

Despite encouraging moves towards introducing private competition and diluting state dominance in the economic domain, the fundamental question of how to restructure the SEEs as a genre has yet to be addressed. The current situation regarding the SEEs may be described as uncertain and ambivalent in terms of policy initiatives towards a comprehensive reform programme. There seems to be a genuine desire to prevent losses incurred by the SEEs from aggravating the public sector deficit but a national restructuring programme entailing decentralisation and "marketisation" of carefully selected SEEs and a systematic divestment of others is absent.

There has been an eclectic mix of initiatives by individual ministries with neither clear institutional responsibility nor policy co-ordination. The Trade Ministry has converted most of its SEEs which distribute merchandise imports into joint-venture corporations with private partners (domestic and foreign). The Tourism Ministry has several joint-venture and management contracts with foreign partners for existing and new hotels. Some railway routes are being serviced by joint ventures between local partners and the state. Myanmar's international air service is run by a joint venture between a Singaporean company and the state airline. The Ministry of No. 1 Industry announced in early 1993 an initial list of 57 factories that would be available for joint-venture or leasing arrangements and later made it known that it welcomed negotiations with private entrepreneurs over the utilisation of its production assets.

There are some joint-venture agreements to produce pharmaceutical, cement, woodwork, mild steel rods and metal roofing, garments, resin, towels, cigarettes, soap and beer. Altogether 17 factories producing electronics, consumer durables, flour, ice, packaging material and leather goods have been leased out to private entrepreneurs.

The Ministry of No. 2 Industry has three factories on lease and one joint-venture contract with a foreign partner. Two joint ventures with foreign companies were formed to produce plywood, veneer and sawn timber while some sawmills are being leased out to entrepreneurs. State mining enterprises, in collaboration with the private sector, are extracting tin, tungsten and mixed concentrates at some mines and are also engaged in producing coal, baryte powder and granite stones.

However, industrial SEEs are still struggling to recover from past shortcomings and the quantum indices of output for fiscal 1992/93 in manufacturing branches where the state has significant capacity such as, minerals and petroleum products (86) agricultural equipment (28), transport vehicles (30) and electrical goods (55) are also less than that of 1985/86 (100).

Under the nascent market-oriented economic environment of a mixed public/private regime, the SEEs remain vulnerable to the same class of problems shared by similar parastatals in the developing countries such as stifling centralised control, poor principal-agent linkage, institutional culture geared towards bureaucratic indifference, under-employment and low capacity utilisation, little or no accountability, poor financial discipline, rent-seeking behaviour, and inhibiting private sector development through monopolistic and protectionist competitive advantages.

In order for the economy to benefit from the new open market regime, the position of SEEs in the national economy should be seriously evaluated. Instead of allowing "involuntary decline" of the SEEs' market share through low capacity utilisation and allowing ad hoc private control of their production through commissioning, buy-back and leasing arrangements, a broad restructuring of SEEs is warranted.

Thus, the function of SEEs in the context of market-based reforms needs to be reconsidered in view of formulating a

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privatized divestment programme. Those deemed essential for continued state ownership should have clearly defined missions and be empowered to have more autonomy in operational and financial matters and subjected to competitive market forces. Only then can the remaining SOEs which have become unwieldy dinosaurs standing firm on the ground of state support in the past would be able to transform themselves into nimble dolphins and survive in the new ocean of market economy.

Whether this transformation can come about without traumatic economic and social consequences will depend not only upon an enlightened overall restructuring policy but also on getting the macroeconomic fundamentals right.

Brunei, Malaysia & Singapore

Malaysia

Mahathir on High Wages in Private Sector

[illegible] Kuala Lumpur [illegible] GMT 10 Jul 94 [illegible]

[Article by Rosyadi Abdul Rahman]

[Text] Penang, 20 July—Prime Minister Mahathir Mohamad has voiced concern over excessively high salary increases in the private sector which are unrelated to productivity. He said that this practice harms the national economy.

The prime minister said that salary increases in the private sector have been too high for some time now and this development is a cause for concern.

He said: "Yes, I am indeed concerned that sharply rising salary increases not related to productivity may cause the inflation rate to increase and harm the growth of the national economy."

Speaking at a press conference after he presided over the Weekly Cabinet Meeting at the Hotel Equatorial in Bukit Jambul, Penang, on 20 July, he said: "I also admit that salary increases in the private sectors are too high."

Also attending the press conference was Dr Koh Tsu Koon, chief minister of Penang.

Doctor Mahathir made this statement after he was asked whether the salary system in the private sector needed to be changed. He was also asked about the demands of CUEPACS [Congress of Unions of Employees in the Public and Civil Services] that seven workers for 20 to 30 percent salary increases to make up for inflation.

The prime minister declared that, in general, if salaries are raised to reflect productivity, this has no impact on inflation. However, he said, if salaries are increased only because the private sector is getting large increases in salary, certainly this has an impact on inflation.

He said: "We will study the demands of the CUEPACS workers as to whether they have an impact on inflation and also whether these demands can be discussed."

Asked to comment on salary increases in the private sector, Doctor Mahathir said that because Malaysia has a shortage of TTT workers, the private sector is forced to offer high wages to local workers to attract them or prevent them from moving to another company. However, he said, if conditions like this continue, ultimately labor costs will increase until industry will no longer be competitive and be able to attract investors to continue putting their money in this country.

As a result, he said, the national economy will not grow, and those who cause the increases in salary will find that job opportunities will decline.

He said: "This is what causes our concern, that is, salary increases which have no relationship to increased productivity, because clearly they will harm the growth of our economy."

He continued: "The salary system in the private sector must be related to increased productivity. This is a basic principle to which we must pay attention."

Asked whether there have been discussions within the government on how to handle this question, Doctor Mahathir answered that what can be done is to increase the number of industries which are not labor intensive.

He said: "For example, we need technology intensive jobs in the industrial sector, with the large flow in the value added to production increases, the number of workers does not increase. In that way salaries may increase."

Regarding the number of foreign workers in Malaysia, Doctor Mahathir said that at present there are one million foreign workers who come working work in this country. However, because they are not experienced, they cannot fill empty factory positions.

The prime minister said that for that reason local workers have been offered high salaries to fill the 15,000 job openings in the manufacturing sector in Penang alone.

Singapore

ROK Premier Arrives in Singapore for Visit

SK1008122194 Seoul YONHAP in English 1238 GMT 11 Aug 94

[Text] Singapore, Aug. 11 (YONHAP)—South Korean Prime Minister Yi Yong-tuk, currently on a tour of three Asian nations, arrives in Singapore Wednesday afternoon after winding up his official visit to Vietnam.

Yi's trip to Singapore comes in return for Singaporean Prime Minister Goh Chok Tong's visit to Seoul last November.

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The South Korean premier will pay a courtesy call on Singaporean President Ong Teng Cheong Thursday morning, then hold talks with Goh on matters of mutual interest including joint investment in third countries.

In particular, Yi plans to solicit the Singaporean Government's support for South Korean Trade, Industry and Energy Minister Kim Chul-su's bid to become director-general of the World Trade Organization (WTO).

Earlier Wednesday, Yi visited the tomb of Ho Chi Minh in Vietnam. He then toured a South Korean-Vietnamese joint venture, Orion Hanoi Picture Tube Co., in Hanoi which produces braun-tubes for televisions.

Agrees To Expand Ties

[AU0509071596 Seoul YONHAP in English 0457 GMT 5 Sep 96]

[Text] Singapore, Sept. 5 (YONHAP)— The prime ministers of South Korea and Singapore agreed Thursday to step up cooperative relations in the Asia-Pacific Region, particularly in the fields of construction, information, communications.

South Korean Prime Minister Yi Yong-tok and his Singaporean counterpart Goh Chok Tong also agreed to enhance bilateral cooperation so that the two countries can play a leading role in the post-ministerial conference of ASEAN (the Association of Southeast Asian Nations), the ASEAN regional forum and the Asia-Pacific Economic Cooperation (APEC).

The South Korean premier is currently on an official tour of three Asian countries.

During the meeting, Yi proposed that they expand their joint advance into third countries, including China, through a combination of South Korea's production technology and construction capabilities and Singapore's information-communications prowess.

In addition, Yi explained the situation on the Korean peninsula after the death of North Korean President Kim Il-sung, the North Korean nuclear issue and Seoul's peaceful reunification policy. He also solicited Singaporean support for South Korea's bid to become a non-permanent member of the United Nations Security Council.

The premiers agreed to exchange government officials and discussed Singapore's "lean government" policy and South Korea's reform drive.

Minister Forecasts Economic Growth in 1996

[HK2608154196 Singapore THE STRAITS TIMES in English 26 Aug 96 p 1]

[Text] Singapore's economic growth should come down to between 6 and 8 per cent next year as this year's unexpectedly good showing cannot be sustained, said Finance Minister Richard Hu in Parliament yesterday. He said that this year's overall growth would be within the 9-10 per cent range.

"The high level of growth is not expected to be sustained, however the GDP growth in 1997 should return to a more modest 6 to 8 per cent rate."

He also said, in reply to queries from NMP [nonconstituency member of parliament] Robert Chua, that he saw no danger of a "bubble economy" developing in Singapore. Nor did he see the makings of a "run-away bull run" on the stock market.

He pointed out that the stock market's price earnings ratio—defined as the market price of share divided by its latest earnings per share—was still on the lower 20s. In Japan's "bubble economy" in the late 1980s, this figure was above 50. Other reasons for his optimism:

—The financial sector was well regulated to ensure that banks and other financial institutions have were not over-exposed to the stock market.

—Rising world-wide interest rates should moderate the equities market over the next one or two years.

—The Singapore and Malaysian stock markets have stabilised.

On rising property prices, Dr. Hu said that the surge over the past two years was not sustainable. "In commercial and office sectors, rentals today are significantly lower than what they were when they peaked in 1990."

He added that the most effective way to stabilise property prices was an adequate supply of new housing and land for development.

Cambodia

Further Reports on Hostages Held by Khmer Rouge

King Urges KR To Spare Hostages

BK2608104096 Hong Kong AFP in English 1037 GMT 31 Aug 96

[By Philip Mol Julian]

[Excerpt] Phnom Penh, Aug 31 (AFP)—Cambodia's King Norodom Sihanouk appealed to the Khmer Rouge [KR] on Wednesday to spare the lives of three western hostages, as the government announced the resumption of negotiations with the rebel group.

In a letter to Khmer Rouge nominal leader Khieu Samphan, the king called on the guerrillas holding the hostages to "keep them alive, healthy and safe," adding, "You must not mistreat them. You must not kill them."

King Sihanouk said his appeal was in response to a letter from the Khmer Rouge leader Monday, on the eve of a

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rebel deadline for negotiating the release of the hostages that passed without comment from the guerrillas.

The letter, from the king's residence in Beijing, was released by the Royal Palace here with a copy of Khieu Samphan's letter dated August 29, in which the rebel leader blamed Phnom Penh for the plight of the captives.

Khieu Samphan reiterated the Khmer Rouge position that the three western hostages had been "arrested" by villagers on an attempt to halt foreign military aid to the Cambodian Government. [passage omitted]

Khieu Samphan said the villagers were "very angry" at the government for failing to resolve the crisis, and citing spurious ransom demands while massing troops around the village where the hostages were being held.

He also said the deadline on negotiations was set as the villagers were facing tough seasonal conditions in their village and that the lives of the hostages were being threatened by constant shelling from government troops. [passage omitted]

Negotiations Resume

KH1109031194 Phnom Penh AFP in French 0800 GMT 11 Sep 94

[Text] Phnom Penh, 11 Sep (AFP)—The Information Ministry in Phnom Penh announced on Wednesday that negotiations have resumed with the Khmer Rouge group holding three Western tourists hostage for more than a month in southern Cambodia.

According to Khieu Kanharit, state secretary of information, "discussions" resumed on Monday on the eve of a foreign ultimatum to the Phnom Penh government. The ultimatum passed on Tuesday without any ending.

Kanharit did not give any details on the state of the negotiations; he only indicated that the Khmer Rouge, at a local level, do not link the hostage release to the issue of foreign military assistance.

Australian Dayid Wilson, age 29; Briton Mark Slater, 28; and Frenchman Jean-Michel Braquet, 28, fell into the hands of a local guerrilla chief, General Nu Pan, on 26 July in the Kampot region in southeast Cambodia.

They were taken, along with Cambodians and three Vietnamese—of whom nothing has been heard—during a guerrilla attack against the train they were traveling on.

General Pan initially demanded a ransom of 150,000 dollars in exchange for the release of the young men, before Khmer Rouge radio raised the stakes and demanded the end of military assistance from Western countries as a condition.

Last March the same Khmer Rouge commander took a young American, Melissa Hiemes, prisoner and then freed her six weeks later after the nongovernmental organization that employs her paid a ransom in the form of a large quantity of rice, tools, and medicine.

Officials in Phnom Penh who recounted this incident are convinced that the Khmer Rouge "have no interest" in killing the three hostages.

Government troops continue to put "pressure" around Phnom Voar, where some 300 guerrillas are holding, in order to cut off the supply lines to the Khmer Rouge base and to prevent the kidnappers from escaping.

Officers there have affirmed that "communication channels" have been maintained with General Pan and defended themselves in their preparation for an offensive against the general's base.

Government 'Optimistic'

KH1109040694 Hong Kong AFP in English 0430 GMT 11 Sep 94

[Text] Phnom Penh, Sep 11 (AFP)—The Cambodian Government said Thursday that three western hostages held by the Khmer Rouge in southern Cambodia were still alive and negotiators were optimistic that the captives would be freed by the rebels.

"We know that the three western hostages are still alive" after resuming contacts with the Khmer Rouge, Deputy Information Minister Khieu Kanharit said, adding that the three men had last been seen by go-betweens on Tuesday.

He said that the resumption of talks, coupled with the strength of appeals to the rebels this week from King Norodom Sihanouk and Queen Monique for the release of the hostages would help the negotiations proceed.

The government said that negotiations for the release of the hostages broke down last week, but started up again on Monday.

The minister would not comment on the nature of the talks between the two sides, saying that "in any negotiations there will be a compromise." But he said that the payment of the ransom had been ruled out by the government, which would maintain its encirclement of the rebel base where the hostages were being held in order to bargain from a position of strength.

He added that the government had not been shelling rebel positions in the vicinity of the captives, despite reports from the hostages and independent observers of widespread bombing in the area.

Australian David Wilson, Briton Mark Slater, and French national Jean-Michel Braquet, were captured on July 26 following a guerrilla ambush on a train in the southern province of Kampot.

Khieu Kanharit said that about 1,000 Cambodian villagers who had been used as a "human shield" by the Khmer Rouge had fled the area surrounding the rebel base at Phnom Voar, about 150 kilometers (90 miles) south of the capital.

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A government official said hopes were high for the release of the hostages, and that a cart-load of goods for the foreigners had been sent to Phnom Voar following the receipt Wednesday of a shopping list written by Rouget.

"I think they will release them, but we need strong guarantees for their release," the official, requesting anonymity, said. "But we are not going to stop negotiating."

A number of Cambodians and three Vietnamese were also taken in the train ambush but there have been conflicting reports as to whether they were still being held by the rebels.

Guerrilla Offered Amnesty

LD0509110194 Melbourne Radio Australia in English 0900 GMT 5 Sep 96

[Excerpts] The Cambodian Government has offered an amnesty to Khmer Rouge guerrillas holding three foreign hostages if they leave their jungle stronghold and release them. [passage omitted]

Evan Williams reports that the government has appealed to the guerrilla leader holding the men to end the stand-off.

[Williams] Government spokesman Khieu Kanharit said the Khmer Rouge top leaders are welcome to rejoin the national community and that includes General Phet. If he frees the hostages and comes out of the resistance, there will be no recrimination or jailing as he could join the community as a rightful citizen. Legislation outlawing the faction in May gave the Khmer Rouge a 90-month amnesty to surrender.

Mr. Kanharit says 10 guerrillas and 1,000 villagers have left the camp where the three foreigners are being held, due to rough conditions and a lack of supplies. The army is still surrounding the area, cutting supply routes, but one senior government official says negotiations are at a mature stage and going well.

Nation Claims Chlorp District Seat Liberated

OW1309171594 [Clandestine] Radio of the Provisional Government of National Unity and National Salvation of Cambodia in Cambodian 1200 GMT 11 Sep 96

["Special Report" from Preah Vihear Province]

[Text] I. On the morning of 30 August, the National Army of Democratic Kampuchea [NADK], in cooperation with the people, attacked and freed the Chlorp District seat in Preah Vihear Province from the two-headed government for the second time.

II. The following are the results of the assault:

1. Liberation: We completely liberated the Chlorp District seat as well as two villages and four communes that remained in the district seat, namely Khet Kravaing, Khet Khanglech, Khet Chas, and Khet Thmey Commissary.

2. Damage: We killed six two-headed soldiers and wounded nine others, and we destroyed 10 barracks and some war materiel.

3. Seizure: We seized 155 assorted guns, including an 82-mm and three 60-mm mortars; three M-79 and three B-41 rocket launchers; 10 AK, one AR-15, and 131 SKS assault rifles; and a significant quantity of ammunition and war equipment.

4. Forty-eight village and commune officials and militiamen of the two-headed government laid down their arms and surrendered to our Army and people. The Army and people educated them according to the policy of the Provisional Government of National Union and National Salvation and split them into different categories based on the people's decisions and after meticulous consultations with the former state authorities, soldiers, and police of the two-headed government.

III. All ethnic people in Chlorp District enthusiastically welcomed and wholeheartedly provided the NADK combatants with many varieties of foods. The people are currently joining hands with the combatants to implement a popular guerrilla war to fight off the traitorous invading forces and state authorities until Preah Vihear Province is completely liberated. This will contribute to promoting peace and bringing about a genuine national government that will achieve national reconciliation without making a distinction about political beliefs.

Vietnamese Urges Rethinking of Immigration Law

BK1109151794 Hong Kong AFP in English 1004 GMT 11 Sep 96

[Excerpt] Phnom Penh, Sep 11 (AFP)—Cambodia's King Norodom Sihanouk has called on the Cambodian National Assembly to reconsider a controversial immigration law which critics say discriminates against the country's ethnic Vietnamese.

The king's appeal, published in the NEW LIBERTY NEWS daily on Wednesday, asked deputies to "reconsider the law on the spirit of justice, equality and friendship...for those innocent Vietnamese living in our country."

The king said he received a letter from Vietnamese President Le Duc Anh expressing concern over the immigration law that was passed last week, under which many ethnic Vietnamese in Cambodia could be subject to deportation. [passage omitted]

Minister Views Sihanoukville Industrial Zone

BK1109091694 Phnom Penh REASMEI KAMPUCHEA in Cambodian 31 Aug 96 p 4

[Report by Kanhotha]

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[Text] Pu Sothirak, minister of industry, mines, and energy, has disclosed that the Royal Government of Cambodia and the Industry Ministry has allowed a Thai investment company known as "Ban Chang Development Company" to conduct a study of the industrial zone in Sihanoukville. The company completed 95 percent of the survey between February and May.

The minister said that in the future the Ministry of Industry, Mines, and Energy wants to identify sites that are ready for development by foreign and local investment companies. As we are currently in the process of implementing privatization, the state should reserve areas for investment by private companies, thereby contributing to the development of Cambodia. After the study is completed, development of the Sihanoukville Industrial Zone will begin with the city's oil refinery.

The industry minister stressed: Actually, several years are needed to create an industrial zone; this can never be done within a period of two or three years. He cited Thailand as an example, saying the country has spent 30 or 40 years setting up each industrial zone. Therefore, Cambodia should take its neighbor as a model.

In a report on the progress of its work, Ban Chang Development Company said the study is divided into eight important sections, for example, preserving the industrial zone's data, conducting meticulous research on the location, precisely studying and organizing projects on value and revenue, carrying out financial analyses, studying major projects and preparing reports on projects to be implemented, and so on.

The Sihanoukville Industrial Zone will be developed on a total area of 1,350 hectares. Of the 1,350 hectares, some 1,000 hectares will be reserved for infrastructural development and construction of houses. The remaining 350 hectares will be turned into a free-trade zone and a gateway for exports.

Indonesia

Minister Calls for UNSC Restructuring

BK [1008]16:17 GMT 13 Sep 94

[Text] Indonesia reacts on having the UN Security Council [UNSC] restructured because it has permanent members, who are World War II victors, namely the United States, France, Russia, Britain and China, now continue to occupy their posts. Speaking to reporters after his meeting with President Suharto at his Cendana Road presidential residence in Jakarta today, Minister-State Secretary Moerdiono said he sees the need to restructure the UN Security Council because the world has undergone great changes, especially with the emergence of new states with special expertise. The idea of restructuring the UN Security Council was also discussed at the Nonaligned Movement's summit conference in Jakarta in 1992.

Commenting on the talks between the Japanese prime minister and the leaders of Singapore, Thailand [as heard], and Malaysia on Japan's desire to become a permanent member of the UN Security Council, Moerdiono said several countries with sizable populations should be considered permanent members of the UN Security Council.

Minister on Philippine Talks, Mandela Visit

BK [1008]17:59 Jakarta Radio Republik Indonesia Network in Indonesian 0600 GMT 10 Sep 94

[Text] The Government of Indonesia has never linked the meetings between the Philippine Government and the Moro National Liberation Front with the issue of the seminar on East Timor, which was previously scheduled to be held in Manila.

According to newsmen's questions after being received by President Suharto at his Jalan Cendana residence this morning, Foreign Minister Ali Alatas stressed that the cancellation of the second meeting between the Philippine Government and the Moro Liberation Front in Jakarta was due to technical problems.

According to Minister Ali Alatas, the progress from the first meeting was not as fast as expected.

[Begin Alatas recording] I clarify here that Indonesia played no less than 15 support committee meetings. Six of these meetings were joint committee meetings on a cease-fire while two other meetings were joint commission meetings. The outstanding agreements are the agreements reached by the support committees on education, the enforcement of sharia laws in districts that will be declared autonomous regions, and the agreement on economics. Much progress has been achieved in these three fields. [end recording]

Minister Ali Alatas also confirmed to newsmen that Nelson Mandela, president of South Africa, who is concurrently the ANC [African National Congress] leader, will visit Indonesia on 2 September.

Editorial Sees 'Golden Peak' in Australian Ties

BK [1008]13:09 Jakarta THE INDONESIA TIMES in English 29 Aug 94 p 2

[Editorial] "RI-Australia relations"

[Text] The RI [Republic of Indonesia]-Australia relations have reached its golden peak now. It has never happened before.

Australian Prime Minister [PM] Paul Keating openly stated that as a statement Australia is very close to Indonesia and economic cooperation with RI should be taken into account.

On Tuesday, August 23, there was a special meeting, called the Australian-Indonesian Ministerial Forum, in Canberra, which was attended by PM Paul Keating. In

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his statement Paul Keating said that the core of the essence of the RI-Australia relations has so far been based on mutual trust and confidence. And finally any international relation will depend on it. His statement was indeed interesting and significant.

Australia is more experienced to "go international" business, so we can learn important aspects from Australian experience.

It is proper that big and small scale Indonesian businessmen learn positive things from their Australian counterparts, soon or later the transfer of applied technology in the field of business could be stepped up and could give added value.

On the other hand Australia will be happy to transfer its technology in the field of business because of the aspect or factor of close relationship and close location. It is better and cheaper for Australia to trade with Indonesia.

In the sector of science and technology we can absorb many things from Australia, with Australian universities Indonesia has good cooperation, and now there are many Indonesians studying in Australia.

This is the starting point for us to maintain the cooperative good relations with Australia.

It is also interesting to note that Paul Keating has admitted and stated openly that President Suharto has given peace and stability to this region and this is a good basis for the good relations between Indonesia and Australia.

Seen from the geographical location Indonesia will always be a neighbour to Australia. Paul Keating said that if APEC [Asia Pacific Economic Cooperation] had never been born, and if the APEC leaders had never held a summit, then the Uruguay Round in Morocco would never end successfully.

It was an honest statement from a good statesman that Indonesia is very important to Australia. We should think in practical and dynamic terms about Australia to reap fruits from our harmonious relations.

Armed Forces Announces Reshuffle in Command

BK1309113796 Jakarta THE JAKARTA POST in English 13 Aug 96 p 1

[Text] Jakarta (JP)—The Armed Forces (ABRI) yesterday announced a major reshuffle in some of its main commands, including the Army Strategic Reserve Command, the Army's Special Forces (Kopassus) and the military command in East Timor.

Major General Tarub, currently chief of the Trikora Command, has been reassigned as Kostrad commander to replace the retiring Maj. Gen. Kuntara, according to the ANTARA news agency quoting a statement from ABRI's Information Center.

Brigadier General Subagyo H.S., currently chief of the Army's Security and Code division, was named commander of Kopassus, the Army's elite force, in place of Brig. Gen. Agum Gumelar.

Gumelar has been reassigned as chief of staff for the Bukit Barisan Military Command which oversees northern Sumatera.

Colonel Johny Lumintang, the current chief of the Wira Dharma military regiment in East Timor, will be reassigned as commander of Kostrad's First Infantry Division. The ABRI statement did not say who will fill the position in East Timor.

Altogether, 84 officers in ABRI's three services and the National Police were reassigned in the reshuffle ordered by ABRI Chief Gen. Feisal Tanjung in a letter dated August 1, according to ANTARA. The reshuffle affects 27 officers in the Army, 29 in the Navy, seven in the Air Force and 21 in the National Police.

Other major changes include the following:

Maj. Gen. Prabowo, currently chief of the Bukit Barisan Military Command in northern Sumatera, has been promoted as assistant to the chief of ABRI's Social Political Affairs. His position will be filled by Brig. Gen. Amir J. Kusmayl, currently deputy chief of ABRI's Intelligence Agency (BIA).

Maj. Gen. Syamsir Siregar has been appointed chief of BIA and assistant for intelligence affairs to ABRI's Chief of General Affairs, replacing Maj. Gen. Amir Sudirman.

Maj. Gen. Yunus Yosfiah, currently chief of Infantry Weaponry, has been named chief of the Siwangsa Command which oversees southern Sumatera.

There are two major new appointments in the police force.

Brig. Gen. Hariman has been appointed chief of Central Java Police and Brig. Gen. Hartono as chief of Nusa Tenggara Police, whose jurisdiction includes Bali, Nusa Tenggara and East Timor.

Officer Views Ethnic-Chinese Economic Success

BK1309122796 Singapore THE SUNDAY TIMES in English 28 Aug 96 p 14

[By Jakarta correspondent Paul Jacobs]

[Text] Jakarta—The economic success of ethnic-Chinese Indonesians remains a source of jealousy and has spawned an income gap which, if not narrowed, could undermine the nation's social fabric and lead to dissents and unrest, a senior armed forces officer has warned.

Lieutenant-General B. Hartono, who heads the military's socio-political affairs department, said income and wealth disparities were evident particularly among the population in major cities.

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"There is still a feeling of trauma towards ethnic Chinese, which in reality has a long history—since the time of the Dutch when they were given many facilities so that in a short time, they controlled trade in the country," he told a seminar on Indonesia-China trade and investment relations on Friday.

Lt-Gen Hartono, whose speech was delivered by his assistant, Major-General Hari Sabarno, said that such continued domination of business and the economy could threaten national unity as it could be a source of racial resentment.

"The exclusiveness of Indonesians of Chinese descent who band together in groups, combined with the unaccommodating attitude of other Indonesians, create these tendencies," he said.

The Chinese minority, who constitute about 3 per cent of the 185 million-strong population, are criticised regularly for their dominance as it leaves fewer opportunities for small and medium firms operated primarily by indigenous Indonesians.

Some estimates suggest that the ethnic Chinese control between 45 and 75 per cent of businesses. But analysts said critics tended to overlook the growing number of indigenous-owned business conglomerates.

Lt-Gen Hartono's call to ethnic Chinese to make greater efforts at assimilation and the related warning on the dangers of income disparities—while not new—appear to have been prompted by growing opportunities for trade and investment between China and Indonesia.

It also comes after a recent announcement on the lifting of curbs on the use of Chinese characters and language—kept only for the museum and travel-related industry—in a bid to attract tourists from China, Taiwan, Malaysia and Singapore.

Indonesia cut ties with China in 1967 after accusing Beijing of complicity in an aborted communist coup attempt two years earlier. China denied any part in it and reiterated when relations were restored in 1990 that it had no desire to interfere in Indonesia's internal affairs.

In his speech, Lt-Gen Hartono said pointedly that when doing business with China, Indonesia's ethnic Chinese should not regard themselves as "overseas Chinese who must bow in submission and remain obedient to the land of their ancestry."

He said a Hong Kong convention last November which attracted Chinese entrepreneurs from around the world "provided us with a clear picture of the extent of the ethnic solidarity they have and which they continue to maintain."

"Psychologically, the agreements, pledges and statements at the convention...made non-Chinese businessmen [here] in Indonesia...less than happy," he said.

"Because non-Chinese in Indonesia are still sensitive about such matters, efforts must be made to effectively neutralise any negative effects that could arise."

He said this must "obviously be made more by ethnic-Chinese Indonesians" but added that it also required an accommodative attitude on the part of other Indonesians.

"What the Hong Kong convention showed is that culture plays an important role in widening the economic network. It is thus clear why the ethnic-Chinese have difficulty in being assimilated totally into Indonesian society," he said.

[illegible] Said Overcautious With Small Business

[REPORT] Jakarta ANTARA in Indonesian 1 Aug 96 p 7

[Text] Bandung (ANTARA)—Subiakto Tjakrawerdaya, minister of cooperatives and small businesses, believes the caution used by government banks toward small businesses is excessive and beyond appropriate measure. Government banks should not take such a position, because they have a mission of advancing cooperatives and small businesses.

Minister Subiakto Tjakrawerdaya presented this criticism in a speech given to participants in a training session on small industry and cooperatives held at the PT [Limited Company] Telkom Main Office in Bandung on Tuesday, August 1. Those present on that occasion included Martomo, director general for BUMN's [state-owned enterprises] in the Department of Finance; and Drs. Setyanto P. Santoso, M.A., principal director of PT Telkom.

The minister cited the great difficulty small businessmen have when they apply to government banks for credit. On the other hand, if the one applying for credit is a big business, there is relatively no meaningful obstacle.

"I do not understand why this happens, but the problem must be corrected immediately," he stated.

The minister said that bank officials must of course adhere to the principle of caution, because government bank money is basically the people's money, and banks must be held responsible for the way it is used. "Do not be careless toward big businessmen, however, while being overcautious toward small businessmen," he said.

Usually, the minister continued, the reason banks are reluctant to grant credit to small businessmen is the problem of collateral. In fact, it is stated in the banking law that there must be collateral for the granting of credit. "Business worthiness can also be used as collateral, however. It does not need to be something physical," he stated.

In principle, collateral is confidence that the borrower is worthy to receive credit and can repay it on an established schedule. "Therefore, collateral should not be a problem when granting credit to small businessmen," the minister stated.

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He said that regulations and policies have been issued so that banks, primarily government banks, will give facilities to small industry. In fact, the minister of finance and the governor of the Bank of Indonesia have often called on bank officials to give more priority to small businesses in the granting of credit. "Sometimes these appeals of Pak ["Father," title of respect] Mar'ie Muhammad (minister of finance) and Pak Soedradjad (governor of Bank of Indonesia) have yet to be implemented by bank officials in the provinces," he said.

Minister Saleh also noted on that occasion that government banks not only have the duty of conducting financial transactions but also have another mission, namely that of supporting small businesses and cooperatives in their efforts to improve the welfare of the people and eliminate poverty.

Employment Incentives

At another point in his speech, Minister Saleh said the government is now encouraging cooperatives and small industry to enter any profitable sector. This action has been taken so that cooperatives and small industry will expand rapidly.

Nevertheless, the minister continued, the government leans toward emphasis on incentives rather than on protection and subsidies. This action is being taken through approaches that provide strength, namely through development of internal capabilities in such things as enhancement of human resource capabilities, improvement of capital structure, organization, and management, and development of partnership programs.

Another step is the creation of a climate conducive to the development of cooperatives and small industry through, for example, the simplification of licensing procedures, market and infrastructure promotion, and various other supports of a "public service" nature.

Commenting on the problem of unpaid Kupedes credit [KUT], the minister explained to reporters that the government will reschedule unpaid KUT among farmers. This policy will help to lighten the burden on farmers, primarily those whose rice fields have been hit by drought disaster.

According to the minister, priority in the rescheduling of unpaid KUT will be given to farmers whose rice fields have been hit by drought, beginning with those whose fields are wiped out and extending to those at the light damage level. "What the form of the rescheduling will be is now being drafted. I hope that when it is complete it can be announced immediately," Minister Saleh said.

This rescheduling includes both interest and the period in which installments are to be paid. "It is certain that it will not be in the form of wiping out the debt," the minister stated.

The government has no intention of wiping out the unpaid KUT of farmers, because a policy of wiping out unpaid KUT would not be constructive to them.

The minister said further that the accumulated unpaid credit to cooperatives from 1985 until now is about 200 billion rupiah, while the unpaid credit that is specifically KUT is about 100 billion rupiah. "The total unpaid KUT of farmers whose rice fields have been hit by drought is being calculated, but I think it is very small," he said.

Laos

Lao, Thai, PRC, Burmese Delegations Hold Talks

BK1110080496 Vientiane Vithakorn Hengmai Radio Network in Lao 0000 GMT 31 Aug 96

[Text] A Lao delegation led by its ambassador to Beijing, a Thai delegation led by the consul general of the Kingdom of Thailand to Kunming, a Chinese delegation led by the chief of the Yunnan Province Foreign Affairs Office, and a Myanmar [Burmese] delegation led by the consul general of the Union of Myanmar to Kunming traveled to Bokeo Province in Laos from 27 to 28 August.

They jointly inspected the road on the north side of the Mekong River, which stretches from the PRC's Simao Prefecture to Bokeo Province in Laos. The delegations from the four countries jointly discussed with Bokeo Province Governor Soukan Mahalat various issues in the economic and social sectors and other issues concerning natural resources in order to collect data to serve regional economic development. The four delegations jointly studied the possibility of using the Mekong River as a communications line linking the four countries in order to promote the transportation of goods as well as tourism. They also examined data to be used in the implementation of the quadrangle economic development project.

Bokeo Provincial Governor Soukan Mahalat and the relevant high-ranking provincial cadres extended a cordial welcome and provided accommodations for the delegations.

Annual Border Committee Meeting Held With SRV

BK1110081196 Vientiane Vithakorn Hengmai Radio Network in Lao 0000 GMT 31 Aug 96

[Text] Delegations from the Lao People's Democratic Republic [LPDR] Border Committee and the SRV Government Border Committee held their fourth annual meeting in Savannakhet Province, Laos from 22 to 25 August. The Lao side was headed by Deputy Foreign Minister Phongsavat Boupha while the Vietnamese side was headed by Border Committee Chairman Le Minh Nghia.

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During the meeting, the two sides jointly reviewed strong and weak points in the implementation of the agreement on border regulations between the LPRP and the SRV, signed between the two governments in Ho Chi Minh City on 1 March 1990. They also assessed achievements in the implementation of the memorandum of the third meeting, signed between the committees of the two sides in Hanoi on 24 July 1993.

During the fourth meeting, the two sides exchanged views in a straightforward manner with the intention of improving, promoting, expanding, and strengthening their friendly relations and special solidarity on the basis of the principles of equality, respect for each other's independence, sovereignty, territorial integrity, and just interests, noninterference in each other's internal affairs, and cooperation in all respects to achieve mutual benefit.

Following the meeting, Phongsavat Boupha and Le Mong Nghia signed the memorandum of the fourth meeting. The memorandum notes the acceleration of activities to maintain public security along the border line, creating favorable conditions for people residing along both sides of the border to earn a living in peace and turn the Lao-Vietnamese border into a border of lasting friendship, tranquility, and cooperation.

After the meeting, the delegation of the SRV Government Border Committee led by Le Mong Nghia paid a courtesy call on Khampheng Keobounlapha, deputy prime minister and chairman of the Planning and Cooperation Committee. Khampheng Keobounlapha lauded the fourth meeting's success. He noted that the meeting's success would contribute to the reinforcement of friendly relations and all-around cooperation between Laos and Vietnam. The success, he added, would promote relations and cooperation between Lao and Vietnamese people residing along the border in line with the principles of relations between the two countries as well as the direction of restructuring for the benefit of the two peoples.

Luang Prabang Hosts Annual Australian Aid Talks

BK [270812:50]94 Vientiane KPL in English 0911 GMT 27 Aug 94

[Text] Vientiane, August 27 (KPL)—The annual high-level consultations on Australia's development cooperation program with Laos took place in Luang Prabang on 23 August. The Lao delegation to the talks was led by Mrs. Khampheng Phommeta, vice president of the Committee for Planning and Cooperation, and included officials of the Committee for Planning and Cooperation, Ministry of Foreign Affairs, and representatives of the Communication, Agriculture, Education and Health Ministries.

The Australian delegation was led by Mr. Tim Terrell, deputy director general of the Australian International Development Assistance Bureau (AIDAB). Australian ambassador Roland Rich also attended the consultations.

The consultations discussed development and implementation of the four-year aid pledge of a 47.5 million [currency not specified] announced by Australian Prime Minister Paul Keating during his visit to Laos in April 1994 shortly prior to the opening of the friendship bridge.

It was agreed that following successful completion of the friendship bridge, Australia would continue to provide infrastructure development assistance in three new bridges on Route 13 south and, in cooperation with the Asian Development Bank, to investigate assistance for upgrading of Route 1 from Xieng Khouang to Khammouan in Bolikhamsai Province. Australia also agreed to consider urgently assistance for river bank protection at eroded sites along the Mekong River in Vientiane.

Australia is also to continue to provide a significant number of training scholarships at Australian tertiary institutions, and to expand its English language training programs with implementation of a large project including English curriculum development for secondary schools from mid-1995.

Both sides also agreed to develop further programs in remote areas of Laos with a particular focus on primary health care and mother and child health integrated with community development programs with assistance for literacy improvement and micro-enterprise development, irrigation facilities, trees plantation with focus on environment aspect.

Mrs. Khampheng Phommeta and Mr. Tim Terrell signed a formal agreement on the former Australian development cooperation program at a ceremony at the Luang Prabang provincial headquarters on 24 August 1994.

Training To Defuse Bombs Held in Xieng Khouang

BK [030912:13]94 Vientiane KPL in English 0829 GMT 30 Aug 94

[Text] Vientiane, August 29 (KPL)—A special training course on unexploded ordnance defusing was opened on August 24 in Xieng Khouang by the labour and social welfare service of this northern province.

The training attended by some 20 participants focussed on the significance of the clearing of unexploded ordnance, and techniques of the defusing and clearing of various types of ordnance.

The defusing project receives financial support amounting to some U.S.$ 10.36 million from the Moscovites, U.S.$19,400 from the Lao Government, and technical assistance from the British Government.

Thailand

Prime Minister Supports Japan's UNSC Seat

OW [060827:55]94 Tokyo NIHON KEIZAI SHIMBUN in Japanese 05 Aug 94 Morning Edition p 1

[By Ryuji Takeuchi]

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[Text] Bangkok, 29 Aug—Thai Prime Minister Chuan Leekpai, who will visit Japan on 2 September, met with Japanese correspondents at his official residence on 29 August. With regard to the question of Japan becoming a UN Security Council [UNSC] permanent member, he called for Japan's positive actions, saying, "If the Murayama cabinet remains passive on this matter, Asian nations will look for other candidates." Malaysian Prime Minister Mahathir bin Mohamed also expressed his support for Japan's permanent membership in the UNSC during a meeting with Prime Minister Tomiichi Murayama on 27 August. Asian nations are likely to further strengthen their pressure on Japan.

Chuan showed his view that "in light of Japan's contribution to UN activities, it is reasonable that Japan will acquire UNSC permanent status." In addition, he stressed that if Asian nations seek other candidates to replace Japan, "there will be a scramble for the candidacy, because to become the candidate means to become the representative of the region." Chuan then touched on Japan's wartime responsibility and apologies, and said, "Pursuit of the war responsibility will make Japan stick to the past, and prevent it from proceeding to the future. It is inappropriate to commend those nations who have completely defeated Japan of such fact." Mahathir also told Murayama during the meeting on 27 August that he could not understand why Japan keeps apologizing for its acts during the war that ended 50 years ago." Chuan thus shares almost the same view as Mahathir.

Moves Now To Obstruct Gas Pipeline to Burma

BK1109013494 Bangkok THE NATION in English 31 Aug 94 p A1

[Text] Sangkhlia Buri, Kanchanaburi—Mon guerrillas fighting against the military regime ruling Burma will oppose the construction of a Thai-Burma gas pipeline "by any means possible" a Mon separatist leader announced yesterday.

"We will try to find a way to stop the pipeline," said Nai Pe Thein Zaw, the assistant in charge of foreign affairs for the New Mon State Party (NMSP). "Using violence to threaten the pipeline would be our last option, but in the end we would have no choice."

"Executive deals between the State Law and Order Restoration Council (SLORC) and foreign companies and encourage SLORC to step in power and buy more arms and equipment to kill and oppress the people. We cannot allow that," he said.

Although threats against the pipeline have been made by other Burmese opposition groups, this is the first time Mon separatists have spoken against the project, which will transport gas from Burma's Yedana field in the Gulf of Martaban into Thailand.

The threats follow a decision made by the NMSP's central committee to suspend ceasefire negotiations with SLORC. The decision came because SLORC negotiators refused to discuss a political settlement, and offered the Mon too small an area to control, according to Pe Thein Zaw.

"If they offered us a larger area, it is possible we would accept it. But this would only be a first step, then we would have to go into political issues," he said.

Burmese and Thai officials have stated that the pipeline will come ashore between the Burmese towns of Ye and Tavoy and then run through an area inhabited largely by ethnic Mon and Karen, until it enters Thailand at Ban I-Tong in Kanchanaburi province.

Construction will be overseen by a consortium of western oil firms—including France's Total and the US Unocal—in Burma, and by the Petroleum Authority of Thailand (PTT) in Thailand.

PTT officials have said construction should be completed by 1998.

Pe Thein Zaw said the NMSP's official position is that the gas is a natural resource which belonged to the Mon people and should benefit the Mon people.

"Instead they (SLORC) will force slave labour on the people without payment. This violates our fundamental human rights, so we will oppose the pipeline by any means."

Pe Thein Zaw said he believes construction of the pipeline had not started yet. "SLORC is using forced labour to complete construction of the Ye-Tavoy railway. This was in order to help secure the pipeline against attack," he said.

Burmese officials have stated that the railway labourers were either voluntary workers or were being paid by the government. This claim, though, is contradicted by reports from human rights groups and by the testimonies of Burmese refugees who have fled to Thailand.

ASEAN Agrees To Exchange National Security Data

BK1109013494 Bangkok BANGKOK POST in English 31 Aug 94 p 7

[Text] Thailand and Vietnam have agreed to exchange information on national security, especially information concerning the illicit narcotics trade, Deputy Interior Minister Dee Tommya said yesterday.

Vietnamese Interior Minister Bo Thuoc Ngo paid a courtesy call on Prime Minister Chuan Leekpai yesterday afternoon at Government House.

Mr Dee said some countries were critical of the narcotics trail which runs from Vietnam which still produces opium for consumption.

Vietnam will have to cut its production of narcotics in order to develop its economy.

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Mr Nguyen Manh Cam was very serious about fighting the narcotics trade and those convicted of being in possession of drugs were executed by firing squad.

Mr Nguyen adds it is on an official visit to Thailand as a guest of Interior Minister Chavalit Yongchaiyudh, is scheduled to go to Udon Thani today to visit ethnic Vietnamese living in the province.

Thailand recently granted citizenship to thousands of ethnic Vietnamese who fled there [illegible] during the battle of Dien Bien Phu in 1954.

A statement from Government House quoted Mr Chuan as saying the few minor problems between Thailand and Vietnam were usual for countries which share the same sea borders.

He said it was a positive development that both sides had agreed in principle to set up a committee to resolve bilateral problems and strengthen relations.

The statement also quoted Mr Nguyen as saying his visit was aimed at strengthening relations on the basis of mutual trust and concerns.

Defense Minister, VPA Discuss Maritime Borders

BK [Dateline] The Bangkok Radio Thailand Network in English [0000 GMT] 29 Aug 94

[Text] Thailand and Vietnam have held consultations on the setting up of a general border committee to help solve possible conflict in territorial waters. Defense Minister General Wichit Sukmak says although Thailand and Vietnam do not share common land border, the overlapping of territorial waters has caused some problems. The general border committee will look after this matter involving Thailand and Vietnam, including Cambodia. General Wichit says the setting up of the committee will benefit the people of the three countries, and it has been thoroughly studied before being submitted to both Thai and Vietnamese Governments for approval.

The defense minister has just returned home on official visit to Vietnam. It was the first ever official visit to that country by a Thai defense minister. He says the Vietnamese defense minister will visit Thailand soon as guest of the Thai Ministry of Defense. The minister described his visit to Vietnam as a great success, saying the relations between the two countries have steadily improved.

Export-Import Bank Chief on Operations, Policy

BK [Interview with MR [royal title] Pridiyathorn Thevakul, the managing director of the Export-Import Bank of Thailand, by Chomlada Insrawang; place and date not given]

[Text] [Chomlada] MR Pridiyathorn Thevakul, the managing director of the Export-Import Bank of Thailand, or Export-Import Bank, talked about the bank's role and activities since it opened on 1 February 1994.

[Pridiyathorn] We are achieving better and better results. The Bank of Thailand (national bank) should be given some of the credit for the results, too, because it approved packing credit activities to us. By the end of May, the value of packing credit activities had reached approximately 10 billion baht. This is expected to increase even more, because domestic loan interest rates have risen, and they will probably continue to rise in accord with the situation on foreign financial markets. Thus, if the Export-Import Bank does not raise its rate of interest, this will attract more customers. At present, interest rates are 10.5-12 percent, which is not above the rate on loans made to smaller customers (MLR).

[Chomlada] Will the Export-Import Bank have to adjust interest rates in accord with the commercial banks' Other countries may change that we are scrutinizing reports.

[Pridiyathorn] We will have to consider how important that is. We don't want our interest rates to fall too far below rates on the market. That would lead to competition and take customers away from the commercial banks. It would be like an interest rate war. That would not be proper because it would be contrary to the principles behind the establishment of the Export-Import Bank.

[Chomlada] What is happening with respect to providing credit to customers?

[Pridiyathorn] What is happening today is that the more and more smaller exporters who can't obtain sufficient credit from the commercial banks are turning to the Export-Import Bank. During the past 3 months, we have given credits to approximately 20 customers, with at least 10 million baht authorized for each one. Many others have contacted us about obtaining credits. I expect that credit will be extended to 80-100 customers this year. The number of such customers is growing at a rate of about 20 per month. This is in accord with the target that was set. Most of these are small customers or customers with unusual goods who have asked for credit. As examples are customers who want to export dried squid.

Besides this, the Export-Import Bank has loaned money for large projects that have invested abroad. The Export-Import Bank also considers extending credit for the sale of used machinery. In July and August many more credit customers will sign contracts. This includes short-term loans. At present, customers have requested approximately 2 billion baht in credit to carry on investment activities and will used equipment abroad.

As for credits to carry on investment activities abroad, the Export-Import Bank has authorized granting credit

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to three customers, and more and more customers are requesting credit. As for the bank's future plans, we are now considering providing support for the sale of government rice. The government wants the Export-Import Bank to provide packing credit. In selling rice to the Philippines, for example, they have asked for credit for 6 months. Regarding this policy, the bank is prepared and will take action immediately if ordered to do something. There are also many exporters who are interested in packing credits for exporting rice to the Middle East. We will consider this. The commercial banks aren't very interested in supporting the sale of rice. If the government wants the Export-Import Bank to do this, it should stand guarantor so that we can be sure that we will get our money back.

As for granting credit to guarantee exports, I am sure that the Export-Import Bank will become involved in this by the end of this year. We are now making preparations and have stipulated the premiums that customers will have to pay. The data used to calculate the risk values were purchased from reliable international data centers. These data were very expensive. We are now establishing a system to make use of these data in setting risk insurance rates. Not every country calculates these the same way. There are both good and bad customers. The commercial banks don't dare become involved in this.

[Chomtidib] What can the Export-Import Bank do to help develop Thailand's economy?

[Pridiyathorn] The Export-Import Bank is playing a role on several fronts. Obviously, we are promoting exports. This is considered to be the heart of the Thai economy, because this sector has constantly been No 1 in earning money for the country. Besides this, we are helping to expand the production base in the provinces. In particular, we have helped smaller investors, and we have promoted the sale of used machinery. We are also interested in investments in large projects abroad, such as energy development projects. Some neighboring countries have contacted us and asked us to arrange loans. We are interested in this, because we feel that such projects will help the economies of both Thailand and these neighboring countries. Moreover, this will help improve relations between Thailand and the other country. Besides this, we are interested in playing a role in promoting international trade and investment.

As for promoting smaller customers who have good potential, the commercial banks have never paid much attention to such customers because of the risk involved. But the Export-Import Bank is providing help. We will, however, help only small exporters who are not well established. Once they are capable of standing on their own feet, we will require them to use the services of a commercial bank. This will put pressure on the commercial banks to give attention to this market. It is the commercial banks that play a major role in promoting this.

[Chomtidib] Even though the Export-Import Bank has been in operation for several months, few exporters know what the bank's role is and so why would they use the bank's services?

[Pridiyathorn] We have been carrying on public relations activities and will continue to do so. You can look at the statistics. By the end of the year, it will be clear what the bank has accomplished. It is easier for customers to apply to us for credit, because we do not require as much collateral and we are not as strict as the commercial banks. But this does not mean that our customers are not good customers. They are small exporters who are committed to doing business. But the commercial banks won't give them a chance.

Thus, the Export-Import Bank is gaining more and more small customers. If they are intent on engaging in trade, we will consider helping them. There are, however, exporters who have a bad background and who have been refused credit by the commercial banks. We have to ask for data from the commercial banks and consider things carefully. Some of these exporters owe large sums to the commercial banks. If we give them a loan, they will just use the money to repay the commercial banks instead of using the money to carry on export activities. In such cases, we have to deny their requests for a loan.

[Chomtidib] Since the bank opened, what problems have been encountered?

[Pridiyathorn] Most of our problems are just minor problems that can be solved. One of our major problems is personnel. The people working for the Export-Import Bank come from many institutions. Sometimes, they have different views and different ways of doing things. They have to adjust themselves gradually. For example, those who used to work in the private sector used to be very strict about granting credit, because they are concerned about bad debts. They have to change their views gradually so that their thinking is in line with the reason for establishing this bank. Great strides have been made in solving this problem. Our employees have begun to adjust themselves. They are working together in accord with the policies of the organization.

[Chomtidib] As for the businessmen and customers who have asked to use the bank's services, have there been any problems?

[Pridiyathorn] We haven't had any problems. Initially, there were a few problems and we had to explain things to our customers. Our customers did not know what we could do or how to use our services. Today, more and more people, particularly small customers, are asking to use our services. This achievement is very clear. During the first month of operations, 10 customers used our services. By the end of the year, we will have at least 100 customers. And next year, that number should double. The number of customers who want credits for exporting used machinery is increasing constantly, because the

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investment here is growing abroad, particularly to neighboring countries. This will benefit the country in the long term. As for international projects, we can provide help by providing low-interest loans. But if someone needs a large sum of money, he may have to ask a commercial bank for additional help.

[Chomlada] Has all of the money received from the national bank been used to grant credits?

[Prisdiyathorn] We have used some of the money but not all of it. There is almost 2 billion baht left. But this money will probably have been exhausted by the end of this year. Thus, the Export-Import Bank will consider borrowing money from commercial banks at a special low rate of interest so that we can continue granting credit. We already have the capability to obtain capital. Some of the money will come from taking loans, and some of the money will be revolving funds from exporters who are repaying their loans. Thus, the Export-Import Bank will always have revolving funds.

Many people think that the Export-Import Bank will operate at a loss. But that does not have to be the case. It depends on our operations. If we manage things well, we may make a profit. The important thing is that the government is helping us. Thus, the focus shouldn't be on profits but on how the Export-Import Bank can help develop the country's economy. The Thai Export-Import Bank's scope of operations is very broad as compared with other countries.

[Chomlada] With respect to granting credits to the Indochina countries, how does Export-Import Bank differ from the Indochina Development Fund of the national bank?

[Prisdiyathorn] We have different ideas. The Export-Import Bank will focus on making loans to investors who want to invest in profitable projects that will help develop the system of basic public services. The Indochina Development Fund, on the other hand, is focusing on joint investment in profitable projects. Our way of doing things is different. But the principles are the same. That is, we want to help develop neighboring countries. This will benefit Thailand indirectly, because this will help expand trade and investment. And this will help improve bilateral trade and investment relations, which is at the heart of economic development. This will also lay a foundation for trade and investment and help establish a monetary and banking system between our countries. As for Thai investment in Vietnam, even though our initial investment there will be less than in Hong Kong and Taiwan, as the future investments will continue to increase.

[Chomlada] In summary, during this initial period, the results viewed by Thai banks are still unclear. But the coming period should show that Thai banks can establish a order to help improve the economic system. Even though it is just one element, it is nevertheless an important element in promoting Thai exports, trade and investment. Thai banks will help small exporters who lack opportunities.

Vietnam

Sources Say Khmer Rouge Killed 3 VNese Hostages

BK0109100394 Hanoi Voice of Vietnam Network in Vietnamese 0500 GMT 1 Sep 94

[Text] Well-informed sources said the three Vietnamese residents kidnapped at the same time with three Westerners by the Khmer Rouge in Kampot Province on 26 July were killed.

Regarding the three Western hostages, the Cambodian Government and the Khmer Rouge resumed negotiations on Monday 29 August in Kampot Province, the last day of the Khmer Rouge ultimatum. According to Cambodian Minister of State Khieu Kanharit, the two sides have not discussed ransom for the hostages.

Embassy Seeks Action on KR Abduction of Fishermen

BK0109085994 Hanoi VNA in English 0838 GMT 1 Sep 94

[Text] Hanoi VNA September 1 — The Khmer Rouge [KR] on Saturday carried off by force four Vietnamese fishermen in Kompong Chhnang province according to the Vietnamese Embassy in Phnom Penh.

The fishermen were intercepted by a group of Khmer Rouge soldiers while they were plying their trade in Phlau Toat commune, Kompong Leng District. They were taken to an unknown destination, together with three boats, it was further reported.

On Tuesday the embassy sent a note to the Interior and Foreign Ministries of Cambodia, demanding that the Cambodian authorities take resolute steps to bring the culprits to justice and ensure a normal life to Vietnamese nationals in Cambodia.

Further Reportage on ROK Prime Minister Visit

Vo Van Kiet Hosts Banquet

BK1109141994 Hanoi Voice of Vietnam Network in Vietnamese 1400 GMT 10 Aug 94

[Text] Dear friends: At the government guest house on the evening of 10 August, Prime Minister Vo Van Kiet and his wife hosted a grand banquet in honor of visiting ROK Prime Minister Yi Yong-nok, his wife, and the other distinguished Korean guests. Attending the function were Le Xuan Trinh, member and head of the Government Office; members, deputy members, and many high-ranking government officials.

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In his speech at the banquet, Prime Minister Vo Van Kiet said:

[Begin Vo Van Kiet recording] First of all, I would like to warmly welcome His Excellency Yi Yong-tok and his wife who are currently on an official visit to Vietnam. You have brought with you the Korean people's fine sentiments of friendship toward the Vietnamese people. My wife and I are very happy to have the chance to return the hospitality extended to us by the ROK Government and people during our visit to your beautiful country last spring. Your visit to our country this time is greatly significant because it is the first official friendly visit to Vietnam by the ROK prime minister. It will contribute to enhancing mutual understanding and developing relations of friendship and cooperation between our two countries.

Your Excellency Prime Minister, as developing nations in Asia, our two countries share many customs and traditional and cultural similarities. Although the Vietnam-ROK relationship has undergone ups and downs in the past, our two governments and peoples are today doing their best to guide this relationship into a new era of development. We note with satisfaction that during the past several years our bilateral relations have developed rapidly in various domains. The trade value between the two countries has increased two-fold annually since 1990. We welcome the ROK Government's treasuring its cooperative relations with Vietnam and its consideration of Vietnam as a high priority in the ROK's regional policy. This is in conformity with our people's aspiration to further develop the equal and mutually beneficial cooperation between the two countries. I am optimistic about the prospects of our bilateral relations because Vietnam and the ROK today share the common interests of peace and stability for development. Our two countries have great potential to economically supplement each other and we both are struggling for peace, cooperation, and prosperity in the Asia-Pacific region. I am completely confident that our two peoples will attain great achievements in this lofty mission.

Your Excellency and distinguished guests, the comprehensive renovation undertaking in our country has scored significant achievements during the past several years. Our entire people warmly welcome the renovation policy and are determined to continue accelerating this correct policy. On the basis of the attained achievements, we are striving to advance toward attaining national industrialization and modernization to fulfill the objectives of making our people prosperous, our nation powerful, and our society just and civilized. This will also create favorable conditions for promoting the multifaceted cooperation between our two nations.

I am firmly convinced that Your Excellency's visit to Vietnam will be crowned with success, thereby contributing to further development in the Vietnam-ROK cooperative relations. Our open and frank talks and the signing of the cultural cooperation agreement this morning solidifies our confidence in this regard. [end recording]

In his reply, ROK Prime Minister Yi Yong-tok said:

[Begin Yi Yong-tok recording, in Korean (taking into Vietnamese translation)] Dear Prime Minister Vo Van Kiet and wife, ladies, and gentlemen:

First, please let me express my sincere appreciation to Prime Minister Vo Van Kiet and his wife for the warm and solemn reception given to me, my wife, and my delegation. I am very honored to be the first ROK prime minister to pay an official visit to Vietnam after the establishment of diplomatic ties between the two countries.

I am especially very happy with the talks held with the SRV prime minister this morning. We exchanged views in a very frank and open manner, thus strengthening our mutual understanding. Through the meetings with State President Le Duc Anh, General Secretary Do Muoi, and other Vietnamese leaders, once again, I believe that our two countries are in need of each other, and I am pleased to find out that we have agreed to continue strengthening the cooperation for mutual benefit.

On this occasion, I would like to express my profound respect to the SRV prime minister who is strongly accelerating an open-door foreign policy for prosperity and stability in Vietnam. Many countries have recently applauded Vietnam for its quick development. That proves that under the prime minister's leadership, the open-door foreign policy of Vietnam has been scoring great achievements.

Dear prime minister, through this visit, I have enjoyed a chance to witness with my own eyes the Vietnamese people's determination to overcome all difficulties to move into a new era of development. That furthers my belief in a future of stability and prosperity in Vietnam. The ROK and SRV established diplomatic ties quite recently, but they have developed a substantive cooperative relationship with good results in economy, trading, and other fields. I maintain that our relation has developed quickly because our two countries have demands and capacity that supplement each other. Moreover, with similarities in culture and borders, the peoples in our two countries have shared similar affection. That is the catalyst for the quick development of the relationship between the two countries.

Recently, the exchange between our two countries has been expanded on a large scale, not only in the fields of politics and economy but also in culture and sports. I believe that the cultural cooperation agreement signed this morning will serve as a foundation for us to further strengthen the mutual exchange and understanding, thus further strengthening and developing the relation between the two countries.

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Dear prime ministers, the Asia-Pacific region has become an important one. Countries in this region will play a key role in the international economy of the 21st century. We think that Korea and Vietnam need to be ready for their major roles in the Asia-Pacific era of the coming 21st century. Therefore, we consider that Vietnam's attendance at the Forum on Regional Security held in Bangkok this July is an event of great significance, and an expect an active role for Vietnam in the future. I believe that the development of our relationship is not only beneficial to our two countries, but it also greatly contributes to peace and prosperity in the Asia-Pacific region.

Dear prime ministers, in conclusion, I invite all of you to raise the health of Prime Minister Vo Van Kiet and his wife, Vietnam's continued development, and ROK-SRV relations. [end recording]

Vi Yong-sok Concludes Visit

BK1508133194 Hanoi Voice of Vietnam in English 0800 GMT 15 Sep 94

[Text] South Korean Prime Minister Yi Yong-sok and his wife, and his entourage on Wednesday paid a floral tribute to President Ho Chi Minh at his mausoleum and his house. On the same day, the South Korean guests visited the Orient-Hanoi joint venture company at Ha Dong Industrial Zone.

The delegation visited some workshops and met with the leadership of the enterprises. The South Korean prime minister encouraged workers and the staff of both countries to work hard to build the factory.

In the afternoon, the South Korean prime minister and his party were seen off by ministers, deputies of government office, Mr. Le Xuan Trinh, Deputy Foreign Minister Vu Khoan, and many other senior leaders. The prime minister successfully concluded his official visit to Vietnam.

Tran Duc Luong Visits Poland, Meets Leaders

BK1509063194 Hanoi VNA in English 0539 GMT 15 Sep 94

[Text] Hanoi, VNA, August 31—A government delegation led by Deputy Prime Minister Tran Duc Luong paid an official friendship visit to Poland from August 28-31.

On August 29, Deputy P.M. Luong was received in the state palace of Belvedere by Polish President L. Walesa, who affirmed that there was no obstacle to the fine relationship between the two countries, and that Poland hailed the foreign policy of Vietnam to be friend with all countries.

Deputy P.M. Luong conveyed the invitation of President Le Duc Anh to President L. Walesa to visit Vietnam.

Mr. Luong stressed that the Government and the people of Vietnam consistently attached importance to the promotion of the multi-sided ties with Poland, especially in the fields of economy and trade.

On August 29 and 30, Mr. Luong was cordially received by Prime Minister W. Pawlak and National Assembly Chairman J. Oleksy. Mr. Luong also conveyed Vietnamese leaders' reception to the Polish prime minister and chairman to visit Vietnam.

In August 29 afternoon, the Vietnamese delegation held talks with a delegation of Polish Government led by Deputy Prime Minister G. Kolodko, who welcomed the visit as an important event for the development of the traditional, cooperative, and friendly relations between the two countries.

Speaking to his host, Deputy P.M. Luong expressed the gratitude of the Vietnamese people for the precious support of the Polish people to their national defence and construction.

The two sides noted with pleasure that Vietnam and Poland have favourable conditions to exert and cooperate for economic development in each country. They compared notes on the prospects of their cooperation in various fields such as exploitation of coal, chromium and limonite, modernization of coal mines, chemical production, telecommunications, the Vung Tau oil and gas, thermal power stations, ship building, sea fishery and sea transportation, infrastructural construction, and so on. The Polish side expressed its wish to enter into joint ventures with Vietnam in the fields of exploring and exploiting oil and gas on the Vietnamese continental shelf.

An agreement on encouragement and protection of investment and an agreement on avoidance of double taxation were signed during the visit.

This afternoon, the Vietnamese governmental delegation left Warsaw to begin its visit to Romania.

UN General Assembly Leader Arrives for Visit

BK2909161194 Hanoi Voice of Vietnam in English 1000 GMT 29 Aug 94

[Text] United Nations General Assembly Chairman Mr. Samuel Insanally arrived in Hanoi Sunday [28 August] for a four-day visit. He is the highest UN official to visit Vietnam following UN Secretary General Butros Butros-Ghali's visit in 1993.

During his visit, Mr. Samuel Insanally will discuss Vietnam's economic development and Vietnam's role in the United Nations.

Speaking at the meeting with Vietnamese Deputy Foreign Minister Le Mai, the UN official expressed the good impression on renovation in Vietnam and hailed Vietnam's achievement on the correct direction.

Vo Van Kiet Receives Japanese Economic Team

BK2109161494 Hanoi VNA in English 2312 GMT 31 Aug 94

[Text] Hanoi VNA August 31—Prime Minister Vo Van Kiet received here today a high-level delegation of the

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Nomura Group of Japan and Mr Yoshihisa Takeuchi, adviser and former president of the group, now on a working visit to Vietnam.

During the reception, Mr Takeuchi informed P.M. Kiet of results in its cooperation programme with Vietnam, including a joint venture with Haiphong City for building an industrial estate with a legal capital of nearly USD 40 million, helping the Vietnamese financial and banking branches in building capital and stockmarkets and helping Vietnam in training IT personnel in those fields.

Prime Minister Kiet, for his part, hailed Nomura's goodwill in the implementation of its cooperation projects with Vietnam. He expressed his wish that Nomura would continue cooperating and helping Vietnam in setting up capital and securities markets and an industrial estate in Haiphong.

Vo Van Kiet Chairs Government Session 30-31 Aug

SK[illegible] [Hanoi VNA in English 0759 GMT 1 Sep 96]

[Text] Hanoi VNA September 1 — The government held its regular session here on August 30-31 under the chairmanship of Prime Minister Vo Van Kiet.

At this session, the participants heard reports on the government's programme of action on the implementation of the resolution of the seventh conference of the party Central Committee by Do Quoc Sam, minister and head of the State Planning Committee on the strategy for urban development by Ngo Xuan Loc, minister of construction, and on import-export issues needed correction by Le Van Triet, minister of trade.

Speaking at the closing session, Prime Minister Vo Van Kiet laid stress on the necessary works to be done for the implementation of the resolution of the seventh conference of the party Central Committee on the early reorganization of the production, import, export activities at current situation, and pointed to the government officials' responsibility on managing, allocating the 1996 state budget, on effectively using and managing foreign invested capital sources, on reforming administrative procedures on personnel training and improving the quality of the government contingent of employees.

National Assembly Standing Committee Meets

SK[illegible] [Hanoi VNA in English 0810 GMT 1 Sep 96]

[Text] Hanoi VNA Sept. 1 — The Standing Committee of the National Assembly held a regular meeting from August 30-31 under the chairmanship of Chairman Nong Duc Manh.

According to a communique released here yesterday, during the meeting, the Standing Committee reviewed its preparation for the coming elections of the people's councils at all levels for the 1994-1999 term and discussed measures to ensure the committee's supervision on the elections.

The committee planned to convene the 9th session of the 9th National Assembly in mid-October. The committee passed a decree stipulating the state honour title of the heroic Vietnamese mother and another decree on preferential treatment to the revolutionary activists, families of fallen combatants, war-invalids and other people who had made great contributions to the national revolutionary cause.

The committee passed a decree on exploitation and protection of the water resources.

The committee also adopted a resolution on the amendments and supplements to the rates of turnover.

The committee heard reports on and gave remarks to the issues of the primary education universalization, strengthening the capacity of teachers and establishing a network of universities and vocational schools.

Vigilance Against Ideological 'Saboteurs' Urged

SK[illegible] [Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 31 Aug 96]

[Article by Nguyen Tam in recent issue of NHAN DAN]

[Text] In addition to the 23 radio stations broadcasting a total of 71 hours every day into Vietnam, 82 publishing houses in the United States, France, and Canada have been putting out numerous papers, magazines, leaflets, posters, video films, and music cassettes that are reactionary and obscene and stimulate violence. Large quantities of these have found their way into Vietnam by air, sea, and land. Taking advantage of our state's open door policy, a substantial number of tourists, people for business, for research, or study and some overseas Vietnamese have brought into Vietnam reactionary and obsolete documents such as letters, messages, platforms, declarations, proclamations, ("Vietnam concern") video films, music cassettes, compact discs, a variety of papers such as QUE ME, QUAN CHUNG, HOP LUU DIEN DAN VIET NAM DI TOI HOA SEN, DAT MOI VAN DE VIET NAM, and so forth and removal publications that promote a materialistic lifestyle aimed at destroying our social traditions and norms, and spoiling our young people.

What is even more harmful is that they are sponsoring some misled elements to come back to Vietnam to conspire with the reactionary groups inside the country to build up their domestic base, purchase explosives, detonators, and loud speakers, and create opportunities to carry out sabotage activities in Ho Chi Minh City and other provinces. When conditions are right, they will launch their subversive violence activities.

With a sharp sense of vigilance and positive support from our people, the public security force has on a timely

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fashion discovered all the schemes, some of which were even severed with all the obvious evidence as soon as they set their feet on the soil of Tan Son Nhut Airport.

More recently, after the failure of the campaign to slander and smear Vietnam, they turned to the tactics of adding water to the rain and asking for more rapid reforms, the total privatization of the state economic system, unlimited democracy, political pluralism, and a multiparty system with opposition. They exaggerated our shortcomings, which in fact are common to all countries, to criticize, stimulate dissent, create hostility among the people, and create distrust between the party and the people. These conspiracies and tricks have been coolly received by even many overseas Vietnamese compatriots and foreign politicians.

In order to counter effectively all the conspiracies and tricks of the hostile forces aimed at sabotaging our strategy, we should be clear that the reactionaries will never stop their action against us, our political system, or our revolutionary undertaking. We should in no way assess them by spreading their psychological warfare propaganda or disseminating their reactionary documents and papers. We should strive to promote the great national unity policy, effectively handle hot points and conflicts among the people, step up the campaign to eliminate hunger and reduce poverty, improve the people's living standards, suppress corruption, smuggling, and social evils, and build up an equitable and advanced society. Having discovered any conspiracies or activities of the reactionaries, we should immediately inform the local administrative and public security forces so that prompt action can be taken.

The cassette and post and telegraph sectors should be the attack forces in preventing reactionary documents, papers, and other forms of psychological warfare activity from entering our country. The culture and market control sectors should step up their routine and random investigations in order to bring into daylight those who store, reproduce, or circulate the degraded and reactionary video films, music tapes and discs. Strict punishment, especially criminal penalties, should be given to people who do business without permits or continue to spread the videotapes.

[illegible] Corps Building Party With Political Task

[Article by Colonel Tran Ngoc Son, deputy political commissar, CPV secretary at Hoang Giang Army Corps: "Building the Party With Political Task at a Key Army Corps"]

[Text] Building the party with political task is the major requirement for building the party politically. In building the party politically, we must constantly educate all party organizations and party members so that thoroughly understand the party's renovated program, line, guidelines, and policies. This is very correct and important but still incomplete. Since building the party politically is the work of the entire party, it must be carried out by all party organizations of the army corps. What is difficult is that the thinking of each party organization must be renovated on the basis of the party's renovated line, guidelines, and policies and of the political task which each unit has the party put under the party organization's leadership. Creativity lies in the process of applying resolutions and directives of higher echelons to everyday life. The understanding of the party's renovated line, which must be primarily reflected in the program of action, must be transformed in a revolutionary movement of the masses of troops.

For the Hoang Giang army corps, a key mobile army corps, building the party with political task takes on particular features and demands. In the process of carrying out these duties, all-level party organizations have gradually recognized these particular features. In the days of preparation for commemorating the army corps' 35th founding anniversary, the review of the party organizations' party building task must be done along this line.

First of all, the army corps party organization, which has engaged in self-restoration and self-reorganization, must be clean, firm, and strong in order to be able to lead units in fulfilling their duties.

A matter commanding the army corps party organization's constant attention is the need to closely combine the building of the ranks of party members with the building of the heads of cadres and the building of clean, firm and strong party organizations with the building of comprehensively strong units. The army corps party organization has concentrated on studying and clearly understanding the new situation and duties and pointing out requirements for leaders to fulfill. On this basis, it has directed party committees in evaluating the entire situation of organizing the party and building the ranks of party members. We must hold firm to the requirements for renovation in order to find uniform solutions associated with the duties of each unit and the responsibilities of each cadre and party member. One hundred percent of basic party organizations and chapters and 75 percent of party members have engaged in drafting programs of action in line with concerned duties, functions, and responsibilities. The results of the implementation of these programs of action are the main basis for appraising and evaluating party organizations and members. Party committee echelons have changed committee members with taking care of all aspects of the units' duties, while party chapters have entrusted party members with education and motivation work among the masses of troops. This work method has been instrumental in heightening the responsibilities of party members and cadres and motivating them to engage in the major activities and in the most important aspects of the units' duties. It has also provided a basis for leaders and commanders to hold firm to the true situation of party

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members and cadres, to achieve solidarity, and to develop consolidated strength in building organizations and units.

The consolidation and improvement of party committee echelons and basic party organizations is recognized as a key link in the party building endeavor. Thanks to closely following the actual situation and duties of each unit in carrying out this task, the army corps party organization has in a short time overcome the shortage of party members and changes in party organization work in many basic units. To date, 100 percent of companies with full numerical strength have party chapters. The party has achieved 72.6 percent of its leadership over the entire army corps. Party committee echelons and party organizations of units with different types of formations, especially units with enough numerical strength to perform mobility and combat readiness tasks and motorization work, and units with a large volume of materiel, weapons, and combat means, have been able to improve their leadership quality and meet requirements of duties.

The requirement for organizing party members and cadres' political standards and abilities must, first of all, be fulfilled through political activities. With regard to party members who are cadres, the army corps party committee has organized large-scale meetings for them to study the resolutions of the party Central Committee and the Military Commission of the party Central Committee and such special subjects as laws on the country's land and sea borders, land laws, agricultural taxes, the party's ethnic minority and religious policies. The army corps party organization is currently organizing a movement to understand and implement the resolutions of the nation-wide, all-army, and all-army corps conferences of party delegates in the middle of the party's tenure. We must ensure periodic multi-way and well-oriented information through forms of propaganda and dissemination of reports of current political and social events in the country, in the region, and all over the world.

In their activities, all-level party committees and organizations have always maintained the principle of democratic centralism and, at the same time, have gradually renovated their leadership methods. They have discussed and decided on policies, requirements, and measures related to their leadership over fulfillment of duties, and to commendations and awards for and disciplinary actions against cadres and party members. They have remarkably overcome phenomena of individuals disrespecting collective organizations, or conversely, of relying on the collective to neglect responsibilities in fulfilling duties as required. As a result, the relationship between leaders and commanders is consolidated and close. Leadership work of all-level party organizations, especially basic organizations, has been focused on direct and realistic issues being raised by units in performing their duties. In the meantime, weaknesses and problems of units have also been brought up for the collective to discuss and seek ways to solve promptly and thoroughly.

The army corps party organization has successfully adopted the method of using the masses of troops to control and supervise party members and cadres through setting up criticism letter boxes, contributing ideas, and organizing monthly dialogues between the masses of troops and cadres and party members. The management, control, and punishment of party members have been strengthened by way of, among other things, detecting and preventing violations of discipline when party members show signs of violations, and of helping those who have committed violations overcome their bad habits. In 3 years (1991-1993), the total subjection of party organizations to control was 825; control was exercised on 1,580 party members; many party members were prevented from violating discipline; and assistance was given to 160 party members who had violated discipline and who were later recognized as having made progress in correcting their habits.

Since 1991, the number of basic party organizations being recognized as clean, firm, and strong has increased by 6.6 percent, and the number of party chapters by [illegible] percent. The overwhelming majority of party members in the party organization are politically firm and have confidence in the party's renovated line. They have developed good virtues, adopted a healthy lifestyle, displayed an exemplary vanguard role, and enjoyed the trust of the masses of troops. They are an important guarantee for the army corps to become politically stable and successfully carry out all tasks.

The army corps party committee has paid constant attention to leading and strengthening the body of cadres so that its quantitative and qualitative capacity of fulfilling the requirements of duties.

Based on present duties and requirements for organizing units, work related to cadres requires that the number of cadres must be increasingly sufficient and that they must be improved in all respects. All echelons of the army corps party organization are unanimously aware that building the body of cadres is the key factor in building the party and comprehensively firm and strong units. The principles of leadership over the collective and of development of democracy in the evaluation, use, and promotion of cadres has been implemented. All party committee echelons have participated in drafting plans and discussing measures for creating sources of cadres and for training and improving them. The strengthening of the body of cadres has been focused both on quantity and quality with regard to units with sufficient numerical strength, while attention has been paid to improving cadres of detachments and cadres doing technical work. Party committee echelons and all-level commanders have clearly defined responsibilities of cadres and created conditions for them to participate in study and training. Cadres of all levels are required to improve their work abilities and general knowledge and to be skilled professionally in their specialized fields. The promotion of cadres has not been necessarily based on their "seniority," but the army corps has organized tests for cadres

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according to functions and tasks. This form of promotion has been instrumental in heightening cadres' responsibility for voluntarily studying and training themselves in order to improve their political and leadership abilities, their organization of command, and their management of troops according to their functions and duties. Meanwhile, all-level party organizations have made it a point of closely following the thinking of cadres and have solved promptly and to the right targets difficulties caused by cadres themselves or by their families in the rear. In this way, cadres have become even more attached to units and more enthusiastic about their responsibilities and duties. At present, the sources of cadres have been basically projected, the organization with regard to cadres has been relatively stabilized, and their comprehensive abilities have been developed, thus enabling them to fulfill all requirements of duties of units.

Party committee echelons and all-level commanders of the army corps have paid attention to orienting activities and innovating methods of educating and motivating youths in the army corps. Youth group members have been educated and trained intellectually, ethically, physically, and esthetically. Youth group organizations have been led not only in mobilizing youth group members into mass activities or training, in the improvement of their technical skills, in the adoption of a regular-army lifestyle, but also in improving their ethics and their spirit of struggle to become party members. Recently, youth group organizations in the army corps successfully conducted some events such as a contest of soldiers' fine appearance, a four-heroes movement to respond to the campaign for building a cultural environment, a contest to seek to know about health, environment, traffic laws. As a result, youths in the army corps have, in general, achieved mental stability, adopted a good ideal and a correct view of life, and constantly developed their result role in carrying out duties and their responsibility as the principal continuing source of party organizations and the heads of cadres. Over the past years, the number of youth group members registering to officer schools have exceeded set norms. Since 1991, 148 outstanding youth group members have been admitted to the party.

Taking care of and satisfactorily organizing cadres' and soldiers' material and spiritual life under the present conditions have been affirmed as a basic requirement in leadership and command activities. Leadership work has helped to develop the responsibility of all echelons for correctly understanding and mastering in time the new system of ensuring a decent life for soldiers and actively and closely following market changes and the requirements of duties of each unit in order to perform rear service work and ensure a decent life for soldiers. Meanwhile, all cadres and enlisted men have been motivated to engage in rear service work in order to improve their living conditions according to the motto of cadres and enlisted men sharing concerns and work. These efforts have paid off. The army corps has created sources of grain and foodstuffs and means of stabilizing the soldiers' life to ensure fulfillment of requirements of duties and to provide a good basis for improving the soldiers' living standards.

Cultural and literary and artistic activities of mass character have been constantly maintained in all units of the army corps. These activities have been closely associated with building a new cultural environment and a regular-army lifestyle with the youth group as the main axis, positively contributing to the process of shaping up political and ideological orientations for cadres and enlisted men.

We must take interest in building political bases in the rear and firm and strong operational areas and actively prevent and oppose plots and tricks of peaceful evolution and violent disturbances and subversive activities by hostile forces. We must satisfactorily maintain the system of building safe units, operational bases, warehouses, and stations. We must exercise control over relations with localities in order to be informed of their situation on a monthly basis. Meanwhile, troops must be apprised monthly and quarterly of the situation of the army corps and localities. Party committee echelons have made every cadre and party member clearly understand new requirements for building operational bases and motivating the masses in association with the army corps duties. On this basis, units have satisfactorily coordinated with localities in drafting concrete operational plans and programs of action. Therefore, the relations between units of the army corps and the party committees, authorities, and people in localities where the corps is stationed, as well as in areas where the corps is performing its duties, have been strengthened and consolidated with every passing day. Problems arising from the soldier-people relationship have been discovered and solved promptly to the satisfaction of both sides. The corps has satisfactorily organized field military operations in coordination with building basic local organizations and doing propaganda and motivation work among the local people. Meanwhile, the corps has organized activities aimed at helping needy people according to set policy and has participated in humanitarian work. Through these activities, the soldier-people relations have been firmly consolidated, the army corps has mastered more and more thoroughly the situation of operational bases, and the cooperation between the corps and localities according to combat plans has also been strengthened.

The registers of building the party with political task show that it is a firm guarantee for units to fulfill their duties, and that only through this work can the party organization strengthen its leadership. The process of building the party with political task, besides issues that have been successfully dealt with, still has many issues that need continued settlement. In the present stage, as the duties facing the army corps are very difficult, drawing experiences from the party building process in making the army corps party organization clean, firm,

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and strong is considered to be a requirement which the army corps party organization is striving to fulfill.

[illegible] on Experience of Building Army Corps

HANOI [illegible] TAP CHI QUOC PHONG, TIENG [illegible] in Vietnamese May 84 pp 40-50

[Article by Major General Nguyen Van Rinh, commander of Hoang Giang Army Corps: "Experience of Hoang Giang Army Corps: Understanding the Political Task—A Fundamental, Well-Learned Lesson in Building the Army Corps"]

[Text] On 17 May 1974, the Hoang Giang army corps, Vietnam People's Army's second mobile army corps, was born at the Tri-Thien-Hue battlefield.

Over the past 10 years, under party leadership and receiving the assistance and protection of the people, the army corps has been growing strong and mature and performing outstandingly all tasks entrusted by the party and people.

As one of the key mobile army corps of our people's armed forces, the founding and growth of the Hoang Giang army corps has been reflected in a lively manner the law on building people's armed forces under party leadership.

Lessons on building the army corps have been and are being reviewed and gradually perfected. All these lessons, the fundamental, well-learned one must be to thoroughly understand the army corps' political task. This is a requirement of principle character and a basis for the army corps to have a correct guideline on building itself in all aspects in conformity with the functions and requirements of duties of a strategically mobile army corps.

Aware of the foregoing, since its founding and in the process of its growth, the army corps' leaders and commanders have constantly studied and sought to understand thoroughly the duties entrusted by the higher echelons.

Right after being given the task of urgently building comprehensively firm and strong army corps according to the guidelines of a standardization and modernization and of fighting in concert with other army branches on a large scale (Footnote: Excerpt from Orders of the Commander-in-Chief on the book "The Hoang Giang Army Corps" (Quan Doi Nhan Dan Publishing House, 1977), p.176) the army corps party committee officially held its first meeting to study and decide on the following main policies and measures for building the army corps.

With regard to building and training tasks, it is necessary to overcome difficult conditions of the battlefield and build the army corps according to the guideline of fighting in concert with other armed branches on a large scale and in keeping with the requirements of "great fighting strength, strong assault power, and high mobility." Comprehensive training must be conducted for both organs and units, both all-level commanding cadres and enlisted men, both infantry units and other armed branches, both on technical and tactical domains. Great attention must be paid to training cadres, especially cadres commanding all-level units, in the method of fighting in concert with other armed branches on a large scale. Efforts must be centered on building and training units in the rear on a standardized base. They must be improved quickly in all respects according to new requirements so that they will be ready to be given combat duties on the forefront. Units fighting on the forefront must take advantage of the time and conditions available to train themselves. They must closely coordinate fighting with the building task according to the motto of fighting and doing building work simultaneously, using combat experience to building units.

In combat, units must resolutely fulfill all combat duties entrusted by the higher echelons under all circumstances. On battlefields, they must strive to defeat the enemy right on the initial battle and to fight and win victories continuously. The more they fight, the more mature they must become. They must actively coordinate with localities and engineer units of the Ministry of Defense and of various military regions in opening or consolidating roads in areas where the army corps may be assigned large-scale mobile combat tasks.

The army corps reorganized its rear service and technical forces according to the principle of "mobility and convenience" in order to meet the demands of duties as a strategically mobile army corps. Right during the war, the army corps, while fighting, resolutely built and reshaped the entire rear service and technical network so the latter could promptly provide necessary sufficient material supplies for areas where the army corps was operating and would be sent to operate.

Along with this task, the army corps adopted many measures aimed at increasing the efficiency of political work. It launched the "technical training, shaping standardized traditions and practices, and increasing fighting strength" campaign and the "good training and fighting" emulation movement, gearing the efforts of each soldier and unit and the entire army corps into new duties entrusted by the higher echelons.

These guidelines and measures served as a basis for the army corps to quickly affirm its role. It fought and won victories right in the first battle (on Thuong Duc), in the first campaign (in southwest of Hue city), in the subsequent campaigns (in the Hue-Da Nang area, in the march to and liberation of coastal areas ... and particularly in the campaign named after Uncle Ho). These victories proved the determination, willpower, and leadership and command abilities of cadres and organs at all levels (both in campaigns and tactical attacks) and the army corps' strength and capabilities of fighting in concert with other armed branches. In the Ho Chi Minh campaign, the

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M-65-type tank under the command of First Lieutenant Bui Quang Than rammed into and felled the iron gate of the Independence Palace, and the victory banner was planted on the palace roof. At the same time, Pham Xuan The, deputy commander of regiment 66, division 6804, and a number of cadres and men of the army corps and city commandos charged into a conference room and captured all of the key personalities of the puppet Saigon administration, who were forced to declare their surrender. The Ho Chi Minh campaign was completely victorious when the Hoang Giang army corps was not yet one year old.

What made the army corps cadres and men overcome fierce challenges and outstandingly fulfill entrusted duties? There may be many causes, but one of them must be the fact that the political task of a mobile army corps was thoroughly understood. Up to this day and in the future, this lesson will never lose its value.

In the present stage, the political task of the armed forces and the army corps is undergoing changes in conformity with the situation of the country at peace and at a time when all efforts are concentrated on building and defending the fatherland of Vietnam. We are engaging in this political task where our country is as much presented with opportunities to be grasped as it is faced with challenges to be overcome. Imperialism and reactionary lackey forces have switched to the phase of decisive actions aimed at liquidating and overthrowing the socialist regime in our country. The task of defending the fatherland, independence, sovereignty, and territorial integrity is closely associated with defending the Party, the socialist regime, and national political security. Opposing peaceful evolution, violent disturbances, and subversive activities has become an urgent primary task that must be associated with taking the initiative in coping with other circumstances.

Applying the resolution of the seventh party congress, the resolutions of the 12 plenum of the party Central Committee (seventh session), and the resolutions of the nation-wide and all-army conferences of party delegates in the middle of the party tenure, the Hoang Giang army corps is concentrating efforts on making a further strong change in its general quality and combativeness according to the people's revolutionary standard and well trained, and gradually modernized. The army corps is also striving to apply correctly, creatively, and scientifically and organizationally how to organize high combat readiness to fulfill all entrusted combat duties in conformity with the wishes, aims, and people of liquidating the enemy's peaceful evolution maneuvers, violent disturbances, and subversive activities, and to be ready to cope with all eventualities.

To satisfactorily carry out these requirements, the army corps has set forth the following major tasks:

1. **Improve the army corps' training quality, combat readiness, and standardization so par with duties.**

This task is important and, at the same time, is a basic factor in creating a general strength for the army corps to fulfill its function as the "deterrent force" in peacetime and as the "steel fiber" in wartime.

In training, the army corps has improved the quality of every type of trainees in conformity with the guideline "basic, practical, and steady" in keeping with the real combat duties and suitable to how the enemy is fought in operational areas, to the equipment allotted to the army corps, fighting methods, and to the Vietnamese military art.

Training cadres has been acknowledged as a key element. Attention has been paid to improving their comprehensive abilities. In addition, cadres have been trained to set up tactical formations on combat and to be familiar with various combat forms in harmony with the army corps' duties. In 1983 alone, the army corps conducted 147 refresher training courses for cadres of base units and the total attendance to these courses was 4,071, with each course lasting for 6 days. Some 283 organ commanding cadres from the levels of regiments and battalions affiliated to the army corps, to higher levels attended two-day classes to learn the principles and theories on launching a campaign against a military corps. Some 150 of these cadres also attended five-day training courses to learn how to conduct command exercises, with the participation of two-level staffs for each rule on stages of attacks by a military corps in coordination with arms in charge of defending provinces and cities.

These refresher training, experimental exercises, and annual general training have yielded fairly satisfactory results and provided useful experiences. Cadres, especially cadres of base units, have made marked progress in training, educating, and managing troops. In 1981, 15 to 40 percent of cadres have engaged in training units according to functions, but late in 1983, this percentage increased to 75-80, of which 50-70 percent were rated fairly good and good.

Training detachments and training in schools have been focused on doing according to duties and specialized sectors and on training at night. Training has been associated with physical exercises, improvement of fighting abilities, and the performance of mobilization work among soldiers, in order to improve their standards in accordance with the requirements of new duties.

Establishing standardization has always been considered by the army corps as a key point in training. This task has been closely associated with building clean, firm, and strong party chapters and companies/units firm and strong units. The standardization of units has been markedly improved, especially at army corps organs and schools, and units with full numerical strength. Many units have been able to maintain or improve standardization, such as regiment 56 of division 325, regiment 104 of division 304, regiment 802 of division 308, and regiment 1401 Rear Service school, anti-aircraft brigade

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S73 Army corps units are making every effort to minimize the desertion rate in order to ensure sufficient numerical strength for training, to achieve high combat readiness, and to help bring the army corps on a par with duties.

3. Heighten the efficiency of political and ideological education, step up the "self-motivation, reorganization of the party" campaign, and build the army corps into a unanimous and united one.

Faced with the complicated effect of the regional and world situations with the enemy's wicked schemes and tricks, and with the negative aspects of society, political and ideological education has been affirmed by the army corps as its primary task. Only by satisfactorily carrying out this task can soldiers have firm political abilities, correctly understand the enemy's schemes and tricks, have faith in the party's revolutionary undertaking, and affirm their responsibility in building the army corps. The army corps believes that to make soldiers politically and ideologically strong and to turn the army corps into a unanimous and united one, political and ideological education must be "permanent, active, prompt, and efficient," and that fulfilling the army corps political task must be the primary objective.

Over the past many years, especially the past two years, implementing directive No. 100 on consolidating political education work, the army corps has adopted many positive measures for actively and comprehensively educating soldiers. It has combined the heightening of soldiers' theoretical knowledge with educating them to understand the army corps' political task. It has attached importance to educating them to maintain the "Uncle Ho's soldiers" tradition and that of the army corps. It has also taught them laws and military regulations and improved their cultural and social knowledge. Harmonious development

In training, achieving combat readiness, and building comprehensively fine and strong units, political education work must be carefully prepared and effectively conducted. This is necessary to make soldiers thoroughly understand the viewpoint of training to fight and defeat the enemy, our way, and with weapons and equipment available in the army corps, as well as where they are strengthened. Moreover, it helps us correct two schools of erroneous thought being cadre-inclined toward training soldiers to cope with the war, while neglecting their training to be ready to fight the enemy in "peaceful evolution," violent disturbances, and subversive activities, and vice versa.

In the Hoang Lieng army corps, the targets of political education work are all soldiers. However, it is aimed primarily at the body of party members and cadres, especially commanding cadres, in order to achieve unanimity of views on leadership and command and provide a unanimous basis for each unit and the entire army corps. Party members and cadres must on their own renovate and revamp their thinking and military lifestyle. They must combine party-building tasks with work related to cadres according to the spirit of the resolution of the 3d plenum of the Party Central Committee and resolution No. 79 of the Military Commission of the Party Central Committee regarding "self-renovation and party revamping." The army corps party committees have organized training for party committee secretaries to learn the theories and procedures for carrying out political work at each level. Since 1991, the total attendance of party committee secretaries to this training has been 1,519. The building of the body of cadres has been relatively stabilized, meeting the demands of duties of the army corps. Quantitatively, the number of cadres has achieved 97.7 percent of the projected table of organization. Qualitatively, cadres have in general made progress in terms of knowledge, responsibility, and abilities. Through testing, the number of cadres fulfilling their responsibility has increased by 15-20 percent over 1990, and the ideological situation of party members, cadres, and enlisted men has been stabilized, forming a unanimous and united basis in the army corps.

4. Renovate the task of successfully ensuring the supply of necessities for the army corps in combat duties as well as when emergencies occur.

Ensuring the supply of all necessities for the army corps, primarily its rear service and technical capabilities for it to move from one place to another, is actually a complex task. This task is all the more difficult when the country is still economically underdeveloped, when national defense is still limited, and when cadres and specialized personnel of the army corps are still inexperienced in their activities in the market mechanism. Nevertheless, the army corps has always made it a point of trying to study ways to renovate work procedures and organizational methods and has maintained close relations with localities and areas for which it is responsible for defending, thereby creating consolidated strength in ensuring material supplies for the army corps. No matter how difficult it may be, this task must, under all circumstances, meet the army corps' necessary demands in fulfilling building, training, and combat readiness tasks in peacetime and in developing forces and achieving mobility in fighting the enemy in case of war.

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volume of reserve supplies according to regulations, especially gasoline, oil, grain, foodstuffs, and military medicine.

Great efforts must be made to grow for self-sufficiency 80- 90 percent of the quantity of green vegetables of all kinds, with attention paid to producing most of the sources of off-season vegetables. Cooking units of regiments and battalions must invest in raising hogs and beef cattle and using labor and funds to open fish and other sources of production. They are expected to achieve an average income of 150,000 dong/per capita/per year so as to help improve the soldiers' life and maintain the minimum of 3,150 calories/per capita/per day for infantry troops and 3,700 calories/per capita/per day for armored infantry soldiers.

With regard to technical tasks, we must apply and develop the self-reliance self-strengthening spirit, strive to maximize well the quantity of weapons and equipment in use and in reserve and be ready to improve our technical maintenance capabilities. First of all we must provide timely equipment and weapons for mobile combat ready units so they can move to designated localities in time and perform their duties well. We must step up modernization work to limit the degradation of weapons and equipment. We must rely on the higher echelons' funds and self-sustained financial sources to consolidate and upgrade warehouses, garages, artillery pens and other equipment of units. Priority must be given in the urgent to units with sufficient numerical strength and units of the armored technical branch. Plans must be drafted to consolidate and perfect the system of supplying equipment and to train and improve specialized technical cadres and personnel in order to satisfactorily maintain the force in peacetime and to rapidly develop it in wartime. We must attach a minimum priority value, especially the technical funds, to develop initiatives to improve equipment to be used in study and training, and in repairing or restoring damaged or degraded equipment thereby contributing to restricting the degradation of weapons and equipment and serving well training and combat readiness tasks.

Not only is the material supply work supposed to support routine duties, but is to also meet the demands of the army corps in moving and fighting under other circumstances. What needs to be done now is that in peacetime the army corps must satisfactorily maintain its relations with localities and areas under its defense jurisdiction or places where it has been given the responsibility for joining in drafting concerted fighting plans and helping one another in all respects in preparation for and in carrying out the fighting. Not only commanders and combat organs, but also technical and rear service organs must master the terrain, weather, and road situation in their localities, using it as a basis for setting up realistic, highly successful supply plans.

Power Line to Koxay No Under Construction

BK1109101294 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 10 Sep 94

[Text] The Dien Lan electricity authority is striving to complete the 35-kilovolt power line connecting the Nuoc Ro transformer station in Nuoc Ma District Town to the mountainous district of Koxay No with the length of 24.4km through difficult terrain locations such as thick forest, high passes, and deep gorges. The project, with the total investment of 1 billion dong, is expected to be complete by the end of this year and put into operation to serve production and daily life activities of the multiethnic people in Koxay No.

State Bank Governor Views Monetary Policy

HK1109102794 Hanoi VIETNAM in English 1700 GMT 5 Sep 94 pp 26, 27

[Interview with State Bank Governor Cao Sy Kiem by Ivonne Cooper and Thanh Minh; date and place not given]

[Text] **In Vietnam, there has been a traditional mistrust of banks and the banking system in general. People don't see why they should put their money into a bank when it's supposedly safer under the bed. What are you doing to create confidence in the banking system, to get people to put money into the bank?**

We have to solve this problem to gain confidence in banks. The most important thing is to stabilize the value of the local currency. To this end, we have set a target for this year that the State Bank will try to keep inflation to below 10 percent. We have to do three things. The first thing is that we have to encourage GDP growth, that is to encourage goods supply. That means that we have to maintain GDP growth of eight percent for this year. The second measure is to control the budget deficit tightly. We have to try our best to limit expenditure to reduce the deficit. The third measure is that we have to follow a tight monetary policy so that we also have to try to control international reserves and also the exchange rate of the dong against foreign currencies. These are things that we have to do this year to gain people's confidence.

Most of the comments on the street here is not going through the banking system. Do you plan to issue schemes like life insurance schemes or even real estate bonds along the lines of what's happened in Singapore, to attract funds into the banking system?

We have had approval from the government for issuing state bonds and the Ministry of Finance is now preparing the schemes.

It's happening now?

Yes.

How much do you hope to attract into this scheme?

This year we hope that we can mobilize 800 billion dong and for next year 1,200 billion dong.

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When will you start selling the policy?

This August.

Where can people buy the policy?

We shall sell life insurance through the treasury system and banking system.

The interest rate on the domestic bonds you issued recently in order to attract domestic savings is quite high, quite attractive. How long can you keep them at that level given the steady reduction in the inflation rate?

The demand for capital is very high so that through high interest rates we hope we can attract more funds, more capital for the production sector. We (also) have to keep the inflation rate stable.

So the interest rate will drop after a while?

Yes, that's right.

What's the inflation rate now?

For the first six months of the year, it was 4.7 percent.

What's the forecast for the next six months?

For the whole year inflation will be maintained in single digits.

Some economists are starting to favour some sort of devaluation of the dong, but nothing has been done and we see a gradual deterioration of the local unit against the dollar. Are you happy to see the dong slide at the expense of a growing balance of payments deficit?

In order to determine the exchange rate of the dong, we believe several factors. The first thing is supply and demand of foreign exchange, that's the most important thing. The second thing is that it depends on the government's trade policy, that is encouraging exports and limiting imports. The third factor is the inflation rate. Through these three factors the exchange rate is determined and the State Bank follows strictly the movements of these factors. Any change in these three will affect the exchange rate.

So is there no special policy to change the direction of the dong? "No devaluation?"

Our policy is to slightly devalue the Vietnamese dong against foreign currencies because we want to encourage exports, and now can see that for the farmers that produce (rice) paddy. If we devalue a bit we encourage them to produce more. But we can't maintain the devaluation of the dong forever.

What measures are you taking to do this?

Market forces determine the value of the dong, and there is a gap between supply and demand of foreign exchange. Our policy is that we don't want to devalue the dong abruptly, so that's why from time to time we have to intervene in the market to stabilize the dong. We would like to stabilize the rate at around between the current rate of 10,950 (dong to the dollar) and 11,000.

You have said publicly that you would like to see dollars removed from circulation or at least reduced from the system, but it seems so well entrenched here. Is this realistic?

Our policy is that we try to limit the circulation of the dollar and encourage the use of the local currency, but you know that measures are taken slowly, not at once. Gradually, we will limit the use of the dollar.

Can you give us a target and a timetable for this?

This year we shall take some measures. For example, for the administrative agencies, if they have foreign exchange receipts, they have to sell them to the banks and in case they need foreign exchange, they can go to the banks and buy it. The State Bank will set limits on the size of foreign exchange deposits that exporters hold so that we can remain within targets. And we shall set the net open positions at commercial banks. For tourists, we will set up foreign exchange counters where they can change moneys at rates compatible with the black market rate.

These measures are to limit foreign exchange for exporters. When will they be taken?

We'll start with the big exporters this year. We've submitted a plan to the government for approval. We'll issue a circular when it's been approved.

How much money have the Overseas Vietnamese brought into the country since the US embargo was lifted (in February)?

Roughly $300 million.

Is this more or less than you expected?

It's a bit less than what was expected.

You were saying recently in Bangkok that there are a number of foreign banks being considered for branch status. Will you give any branch licenses this year, and how many of these will be to American banks?

Yes, we plan to issue licenses to eight or nine foreign banks, either this year or next year. But we will issue them step by step. There are a few conditions. First, the banks must be large and prestigious. They also have to have good banking technology. These banks must have good relations with Vietnam. I mean financing some projects already. There are two American banks that have applied: Citibank and Bank of America. I favour these two American banks.

So will we see them with branches before the year is out?

I hope so.

Do you have to open a branch in Hanoi before you get one in Ho Chi Minh City?

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In the past, foreign banks have wanted to open branches in Ho Chi Minh City but recently they have changed their minds. They now want to open in Hanoi. There are some big prospects in the north. But you do not have to open in Hanoi first.

There seems to be some pressure coming from Ho Chi Minh City for the stock market to be set up fairly soon. But given that any meaningful valuation of Vietnamese companies' assets is still some way off, what would be a realistic date for the opening of a bourse?

There are three conditions for a stock market to be established. The first is economic environment, which means there should be a diversification of the ownership of companies. There should be private or joint stock companies. The second thing is the legal environment, like a securities and exchange law. The third is organization. These three conditions are slowly being built up.

How far down the line are you with the Securities and Exchange Commission (SEC)?

It's clear now that the SEC should have members coming from various ministries. There are some differences of opinion over who should be the chairman of the SEC. One opinion is that the Minister of Finance should be the chairman of the Committee of the State Bank or any ministerial-level person. We are discussing it.

What's your preference?

We have proposed that the SEC be managed by the State Bank, but in any case it is also possible that the Minister of Finance or any minister could do it. But there is some linkage between a stock market and the money market and the monetary policy of the central bank.

So there will then be a stock market in Vietnam?

It depends, but if we can move fast enough we will open the first session of the stock market in early 1995.

'Eight Bank Measures To Promote Activities

[Article by Ha Chi Minh City THOI BAO KINH DOANH in Vietnamese 4-10 Jul 94 pp 1,4]

[Article by B.V.: "Projects on Expansion of Banking Activities"]

[Text] Editorial note: At the conference of nationwide bank managers recently held in Hanoi and Ho Chi Minh City, the State Bank announced a number of projects on continued renovation of banking activities in 1994 and in subsequent years in the domains of capital, use of capital, financial settlement, banking technology. Following is the summary of these projects for readers' reference.

Project on pilot issuance of bonds by the Commercial Bank and Investment and Development Bank.

Under this project, the Commercial Bank, the Investment and Development Bank, financial companies, will be authorized to issue bonds according to standard criteria under the State Bank's supervision. The issuance of this type of bonds with maturities of 1 year and more as well as the bond trading, the transfer of bond ownership, must be in keeping with technical standards similar to those of the world banking system.

There will be a distinction between regular money credit organizations which operate on the field of loans in long-term investment, which do not accept capital from short-term deposits from customers, or which do not receive an insignificant amount of capital, and commercial credit organizations operating on the fields of investment and short-term and long-term loans and using the money from the sale of bonds to invest in concrete projects. The State Bank will determine which credit organizations are authorized to be regular or irregular bond issuers. Authorizations will be indicated in the licenses of these organizations.

In the immediate future, the pilot issuance of bonds will be entrusted to the state-run Commercial Bank, the Investment and Development Bank, and a number of stock-commercial banks that meet the following conditions:

—Doing business with profits and engaging in clear financial activities.

—Showing a perspective for development of their business and commanding prestige in business.

—Carrying out financial settlements smoothly.

—Being run by good, experienced leadership, operational and managerial organs.

—Operating with a minimum legal capital according to prescribed criteria (at least 50 billion dong at the present time).

As for credit organizations which are irregular bond issuers, they must formulate plans for issuing bonds and using capital acquired from bonds with the approval of the State Bank.

Targets of the issuance of bank bonds.

—Bonds will be Vietnamese dong-denominated, including Vietnamese settling abroad, and business enterprises, including non-profit organizations in the country. Banks may buy bonds from other banks to invest capital or lend them to customers.

—Bonds will be sold in Vietnamese currency. The minimum face value of bonds is VND100 dong.

—As for formalities, bonds may be issued and bear the names of buyers. Bonds bearing names of buyers can be registered at the bond-issuing banks by their owners. Owners of these two types of bonds are allowed to engage in bond trading or to transfer bond ownerships in the form of gift, inheritance. Bonds can also be used as collateral in applying for loans.

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—The interest rate is applied to non-bonus fixed or adjusted every six months or more, and at the basic interest rate determined by the State Bank. Banks are authorized to choose which form of interest rate to apply.

—Methods of payment of interest: Banks can choose the method of paying interest right at the time of their purchase. This method allows customers to pay less than the face value of bonds and be entitled to interest from the difference between the actual buying price and the face value indicated on bonds. Bond-issuing banks also can choose the method of paying interest every six months, or buyers will be paid both interest and principal at one time when bonds reach maturity dates (in the case interest is paid when bonds mature).

Timeframe for implementation of the project.

The drafting of the project will be submitted to the government for review and approval before it will be signed and promulgated by the State Bank governor. The project is likely to be implemented as of August 1994 by the Investment and Development Bank (one chosen to undertake pilot issuance of bonds on a regular basis) and by a state-run Commercial Bank and a Stocks-Commercial Bank (these two banks are authorized to issue bonds on an irregular basis). The scope of implementation of this project will be gradually expanded as of the beginning of 1995.

Project on development of financial settlement without using cash.

To date, there are nearly 50 local and foreign credit organizations operating in Vietnam. Of this number, five state-run commercial banks and two stocks-commercial banks have been able to set up a nation-wide settlement network. In particular, the Vietnam State Bank has established 50 offset settlement centers in provinces and cities throughout the country and two money transfer centers, known as CTB (CTB) has linked its communication network with all provinces and cities of the country.

A general project on financial settlement will be implemented from now to the year 2000, including:

—Drafting an intermediate-term (1994-1997) plan for modernization of financial settlement to be approved and financed by the World Bank. The first thing to be done is to set up a settlement council composed of five subcommittees (which are regulations subcommittee, standardization subcommittee, automation subcommittee, operational subcommittee, and commercial banks). These subcommittees are responsible for studying, drafting papers, and outlining standards for modernizing banking technology. Formalities are scheduled to be completed next by the World Bank to move and approve [illegible] plans, do the bidding, and give loans, thereby making it possible for the project to be implemented in the fourth quarter of 1994.

—Establishing a settlement center in Hanoi for the entire banking system to gradually take over the work of the existing 53 offset settlement centers.

—Establishing automatic settlement centers in four state-run commercial banks.

—Implementing minor projects to meet realistic settlement demands in 1994 and 1995. In particular, the scope of application of individual checks will be expanded by:

—Allowing customers of all walks of life to transfer their no-term savings accounts to private deposits accounts, with interest rates applied in the same manner as those of no-term savings deposits.

—Linking the local settlement network with the international settlement network, known as SWIFT. This includes the following steps: Meeting conditions for joining SWIFT; establishing stations called SAP to be linked with the networks of overseas banks from now until the end of 1994; and managing and operating the SWIFT system in order to begin operation by the end of 1995.

Moreover, it is necessary to implement many other minor projects to ensure safe transfers of money through internet computers and to organize offset settlement between credit organizations throughout the country, including the treasury and people's credit funds.

Project on issuance and use of State Bank's bonds.

The State Bank plans to issue bonds as an instrument to regulate implementation of its monetary policy on the "open" market and also as a form of allotting credit to commercial banks in the future. A number of provisions of the project have been drafted as follows:

Targets of the issuance of State Bank bonds. Buyers will be local and foreign commercial banks operating in Vietnam. Since State Bank bonds are settled through payment of both interest and principal after a short period of time, the State Bank will apply the method of bidding for bonds. These bonds will be issued on phases, when demand necessary.

Characteristics of State Bank bonds. The minimum face value of State Bank bonds is estimated at VND million dong, the highest is VND billion dong. And only Vietnamese currency will be used in the transaction. State Bank bonds, which will have maturities of 7 days, 14 days, 1 month, 3 months, 6 months or 9 months, will not be subjected to any restrictions regarding transfer of ownership, collateralizing, and deduction of bonds between credit organizations before maturity dates.

The interest rate of State Bank bonds will also be decided through bidding, and the State Bank will decide to sell bonds at the "acceptable prices" offered by credit organizations.

Principles of issuance of State Bank bonds. In principle, credit organizations buy bonds on a voluntary basis. If

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they are requested to buy. their "voluntary" purchase should become a duty. Also in principle, the State Bank will not print bonds, but the sale of bonds will be registered in books. But, at the customers' request, the central State Bank will issue bonds and sell them directly to credit organizations which have opened deposits accounts at the State Bank Transaction Service. On this basis, credit organizations can participate in the money market at the central State Bank.

The organization and implementation of this project will begin in the fourth quarter of 1994.

Project on installing and operating ATM/POS machines.

ATM/POS machines are a form of automated electronic settlement which has become very popular among the people in many countries, especially among tourists frequenting hotels, airports. Although the amount of business on this system represents only 2 to 3 percent of the banking business, ATM/POS machines are now very much in common use.

With this prospect, Vietnam will be in a good position to apply new techniques to develop banking business. With the participation of the Vietnam State Bank and all other credit organizations, this project will be implemented in three stages.

Stage 1

—Install about 15-40 ATMs at airports, port terminals, and hotels in five provinces and cities: Hanoi, Ho Chi Minh city, Haiphong, Ba Ria-Vung Tau, and Quang Ninh-Do Son. The installment of these machines is scheduled to begin early in the fourth quarter of 1994.

ATMs are on-line linking machines for automatic deposits or withdrawals of money. They can dispense many currencies such as Vietnamese dong, U.S. dollars, German marks, Japanese yen, and French francs. When a customer needs to withdraw some money, from cards (even Master cards, Visa cards...) signals are sent back to the master machine through the Vietnam State Bank Transaction Service, the master machine will automatically link itself with the card-issuing office to inquire the bank with which the customer has opened an account. The ATM will automatically dispense the money after it gets back favorable information from the master machine. The cost of installing ATMs in this stage, including the training of technical personnel, will be as many as US$2.8 million.

Stage 2

ATM settlement cards are scheduled to be issued by all commercial banks throughout the country beginning the middle of 1995. In this stage, because of their popularity, cards, which will be used to withdraw or deposit cash or to buy goods, to pay for services... will gradually and completely replace the present method of depositing savings.

In stage 2, the number of ATMs installed in public places will be increased to 100. Almost 200 POS machines will be installed in hotels, railway stations, supermarkets... to take care of settlement services for goods-buying customers.

Stage 3

Stage 3 will be scheduled to begin from 1999 onward when Vietnamese settlement cards will be issued to foreign countries with the authentications of the world card-issuing organ.

"Banking System Continues To Face Challenges"

HK2709084 Ho Chi Minh City THOI BAO KINH TE in Vietnamese 14-20 Jul 94 pp 10, 11

[Article by Bich Vi: "During the First Half of 1994, The Banking System's Capabilities of Obtaining Capital for the Economy Were Still Considerably Limited"]

[Text] At the conference of managers of the State Bank in southern provinces, held in Ho Chi Minh city in early June 1994, State Bank Governor Cao Sy Kiem emphasized that the principal duty of the banking system in 1994, especially during the last six months of the year, is to concentrate on securing capital for the economy. According to him, aside from some undeniable results obtained in renovating its activities, the banking sector continues to face many challenges.

"Passages" From Many Sources

Obtaining capital, especially medium- and long-term capital for the nascent, backward economy is the pressing, urgent requirement for the banking sector. It can be said that only about 30 to 40 percent of the sources of capital of the entire banking system have been used to meet economic development demands. Other capital lying unused in people's homes is still quite large, credit organizations—from state-run commercial banks and joint-stock commercial banks to financial companies and people's credit funds—seem to "helpless," being stuck with only "traditional" capital-obtaining methods that have yielded little results. If combined with the "technological modernization" demand in order to integrate itself into the world banking system, it can be said that the Vietnamese banking system is "devoid of almost everything."

In the meantime, securing capital from abroad is not an easy task. Despite the promulgation of a number of "fundamental" legal documents and despite negotiations, the borrowing capabilities are still insignificant.

Things That Have Been Achieved

—Monetary supply: by the end of June 1994, the State Bank had supplied 50 percent of the annual targeted plan, of which 39 percent were loaned to state-run commercial banks, and 11 percent were for the purpose of encouraging foreign currency reserves.

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—Credit balance. The State Bank has increased credit appropriations in applying credit measures for obtaining capital.

—Deposits of savings in rural places: withdrawals are down in rural places (as of April 1994, about seven hundred of the Industrial-Commercial Bank had achieved a turnover of 3.5 billion dong).

—Deposits of savings for building homes: some 32 out of 53 branches of the investment and development bank opened an amount of more than 70 billion dong.

—Issuance of long-term promissory notes to be collected in foreign currencies: As of May 1994, the Foreign Trade Bank had secured an amount of [illegible] million.

—Operation of people's credit funds: 16 provinces and cities. There are 118 funds (of which 111 funds have been in operation) and (as of June 1994), an amount of [illegible] billion dong had been secured.

The total amount of capital obtained increased by 4,[illegible] billion dong (an increase of [illegible] percent) over the beginning of 1994, and by 19 percent over the same period of 1993. Of this, savings deposits increased by [illegible] billion dong (an 11-percent increase). The amount of money collected from promissory notes increased by [illegible] billion dong (an 18-percent increase). and deposits in foreign currencies increased by [illegible] billion dong (an 18-percent increase). In analyses of the various sources of capital shows that savings and promissory notes represented 11.1 percent as compared to 27 percent achieved throughout 1993. Of the total capital obtained for the economy, the capital coming from commercial banks represented as many as 72 percent, which is a remarkable figure.

—Use of capital. As of the end of June 1994, the capital used by the banking system to give loans to customers increased by [illegible] billion dong (an 18-percent increase) over the beginning of the year and by 30 percent over the same period of 1993. As of the end of March 1994, overdue debts had gradually decreased from 10 to 9.7 percent from the total amount of debts.

Credit funds supplied to private business activities increased considerably, from 39 percent in 1993 to 49 percent of the total credit funds supplied during the first 6 months of 1994. The Agricultural Bank also increased credit funds to give loans to peasants by more than 700 billion dong over the same period of 1993. In particular, medium- and long-term credit funds increased by [illegible] billion dong (an 87-percent increase) over the beginning of the year.

—Revenue from services and tourism operations. As of the end of the first quarter of 1994, banking services had netted US$33 million, representing 25.4 percent of the yearly targeted plan and nearly equalling the figure of the same period of last year. This revenue mainly came from overseas and ex-and remittance transportations. The revenue from money transfers for the first quarter of 1994 was only US$19 million, achieving 17.7 percent of the annual targeted plan and representing a decrease of [illegible] percent over the same period of last year.

—Intervention to regulate the prices of gold and the U.S. dollar. The State Bank participated moderately in regulating the rate of exchange of the U.S. dollar, which increased from [illegible] to [illegible] dong for a dollar, for the first six months. The price of gold increased but still remained at the "permissible" level.

—Application of an appropriate interest rate policy. Most according to the State Bank, an interest rate policy conformable to the ordinance rules continued to be implemented during the first 6 months of the year. The monthly average interest rate of savings deposits was fixed at 1.1 percent, and the highest rate was 2 percent. The monthly average interest rate of loans was 1.6 percent, and the highest rate was 2.1 percent. In order to maintain these realistic rates, since the beginning of this year, the State Bank has twice adjusted the annual interest rate of savings deposits in foreign currencies from 4.5 percent to 4.9 percent per year.

Also according to the State Bank, with a view to helping accelerate the development of the economy, reduce the inflation rate, the entire banking system needs to do many things. They are:

—To apply many effective measures to attract the amount of cash circulating outside the banking system.

—To organize capital markets in order to be able to secure an increasingly large capital for ever longer term.

—To clear up difficulties concerning old debts which many business enterprises, especially state business enterprises, have long owed their banks and have unable to meet the latter's requests for repayment.

—To modernize banking techniques, especially in the domains of information, settlement, accounting.

A synthesis of the assessment of credit capital for the economy by credit organizations shows that an additional amount of [illegible] billion dong are needed for the last 6 months of the year. It is clear that the duties set for the banking sector regarding the supply of credit funds, the implementation of the interest rate policy, the management of foreign exchange... are never simple.

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